



Balestra, Harr & Scherer, CPAs, Inc.

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

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PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2014
Fiscal Year Audited Under GAGAS: 2014



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, 2013 through June 30, 2014. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 17, 2015

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**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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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 District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2014, 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 27 to the financial statements, during the year ended June 30, 2014, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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.

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements. The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
March 16, 2015

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Patrick Henry Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2014 are as follows:

In total, net position increased \$1,149,481, or 11 percent from the prior fiscal year.

General revenues were \$10,954,419 for fiscal year 2014, or 83 percent of all revenues, and reflect the School District's significant dependence on property and income taxes as well as unrestricted state entitlements.

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 Patrick Henry Local School 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 School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide 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 School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Patrick Henry Local School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the School 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. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

In the statement of net position and the statement of activities, all of the School District's activities are reflected as governmental activities including instruction, support services, non-instructional services, extracurricular activities, and intergovernmental activities.

Reporting the School District's Most Significant Funds

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

Governmental Funds - All of the School 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 School 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.

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 and fiscal year 2013:

Table 1 Net Position			
	Governmental Activities		
	2014	2013 - Restated	Change
<u>Assets:</u>			
Current and Other Assets	\$10,636,608	\$8,917,546	\$1,719,062
Capital Assets, Net	11,782,483	11,903,599	(121,116)
Total Assets	22,419,091	20,821,145	1,597,946
<u>Deferred Outflows of Resources</u>	10,065	10,144	(79)
			(continued)

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		
	2014	2013 - Restated	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$1,218,969	\$1,308,053	\$89,084
Long-Term Liabilities	5,975,741	5,810,106	(165,635)
Total Liabilities	<u>7,194,710</u>	<u>7,118,159</u>	<u>(76,551)</u>
 <u>Deferred Inflows of Resources</u>			
	<u>3,555,017</u>	<u>3,183,182</u>	<u>(371,835)</u>
 <u>Net Position:</u>			
Net Investment in Capital Assets	7,044,523	7,254,146	(116,623)
Restricted	1,605,894	1,467,083	138,811
Unrestricted	3,029,012	1,808,719	1,127,293
Total Net Position	<u>\$11,679,429</u>	<u>\$10,529,948</u>	<u>\$1,149,481</u>

The most significant changes from the prior year are reflected in the increase in current and other assets and in unrestricted net position. Additional grant related funding, and increase in income taxes resulting from the improving economy, and a one-time insurance reimbursement resulted in additional cash and cash equivalents at fiscal year end and much of the resulting increase in net position.

Table 2 reflects the change in net position for fiscal year 2014 and fiscal year 2013.

Table 2
Change in Net Position

	Governmental Activities		
	2014	2013	Change
<u>Revenues:</u>			
<u>Program Revenues</u>			
Charges for Services	\$998,927	\$1,084,973	(\$86,046)
Operating Grants and Contributions	1,233,292	699,255	534,037
Total Program Revenues	<u>2,232,219</u>	<u>1,784,228</u>	<u>447,991</u>
<u>General Revenues</u>			
Property Taxes Levied for General Purposes	3,567,128	3,473,640	93,488
Income Taxes	2,127,521	1,965,635	161,886
Grants and Entitlements	4,894,109	5,011,423	(117,314)
Interest	7,103	6,568	535
Gifts and Donations	50	10	40
Miscellaneous	358,508	47,277	311,231
Total General Revenues	<u>10,954,419</u>	<u>10,504,553</u>	<u>449,866</u>
Total Revenues	<u>13,186,638</u>	<u>12,288,781</u>	<u>897,857</u>

(continued)

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		
	2014	2013	Change
<u>Expenses:</u>			
<u>Instruction:</u>			
Regular	\$5,271,018	\$4,991,695	(\$279,323)
Special	1,451,730	1,097,008	(354,722)
Vocational	34,966	85,045	50,079
<u>Support Services:</u>			
Pupils	523,878	512,293	(11,585)
Instructional Staff	71,247	551,301	480,054
Board of Education	21,514	16,602	(4,912)
Administration	727,867	497,498	(230,369)
Fiscal	372,031	269,143	(102,888)
Business	84,202	3,457	(80,745)
Operation and Maintenance of Plant	1,066,199	853,282	(212,917)
Pupil Transportation	695,783	359,915	(335,868)
Central	393,057	88,185	(304,872)
Non-Instructional Services	477,241	528,544	51,303
Extracurricular Activities	465,111	464,628	(483)
Intergovernmental	4,991	0	(4,991)
Interest and Fiscal Charges	376,322	306,371	(69,951)
Total Expenses	<u>12,037,157</u>	<u>10,624,967</u>	<u>(1,412,190)</u>
Increase in Net Position	1,149,481	1,663,814	(514,333)
Net Position at Beginning of Year	<u>10,529,948</u>	<u>8,866,134</u>	<u>1,663,814</u>
Net Position at End of Year	<u>\$11,679,429</u>	<u>\$10,529,948</u>	<u>\$1,149,481</u>

There was a 25 percent increase in program revenues from the prior fiscal year due to a change in the State foundation funding formula and the additional grant resources (including the Straight A grant). General revenues increased 4 percent with the largest change reflected in miscellaneous revenue and resulting from an insurance reimbursement.

Overall, expenses increased 13 percent from the prior fiscal year due to a combination of reasons; salary and related benefit increases, textbook purchases, etc. In addition, note the increase in the special instruction program and decrease in the instructional staff program due to some staff reclassifications.

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction:				
Regular	\$5,271,018	\$4,991,695	\$4,426,118	\$4,338,621
Special	1,451,730	1,097,008	603,690	694,410
Vocational	34,966	85,045	25,301	80,762
Support Services:				
Pupils	523,878	512,293	518,423	512,293
Instructional Staff	71,247	551,301	71,247	551,301
Board of Education	21,514	16,602	21,514	16,602
Administration	727,867	497,498	727,867	435,673
Fiscal	372,031	269,143	372,031	268,813
Business	84,202	3,457	84,202	3,457
Operation and Maintenance of Plant	1,066,199	853,282	1,066,199	830,063
Pupil Transportation	695,783	359,915	689,696	352,738
Central	393,057	88,185	385,857	80,985
Non-Instructional Services	477,241	528,544	92,941	107,293
Extracurricular Activities	465,111	464,628	338,539	261,357
Intergovernmental	4,991	0	4,991	0
Interest and Fiscal Charges	376,322	306,371	376,322	306,371
Total Expenses	<u>\$12,037,157</u>	<u>\$10,624,967</u>	<u>\$9,804,938</u>	<u>\$8,840,739</u>

As can be seen above, the dependence on general revenues for most programs is significant. Only several of the School District's programs receive a notable amount of program revenues to offset program costs. The special instruction program provides for 58 percent of its costs through program revenues from operating grants restricted for special instruction purposes. Program revenues in the non-instructional program include cafeteria sales and state and federal subsidies and donated commodities for food service operations. Program revenues in the extracurricular activities program include music and athletic fees, ticket sales, and gate receipts.

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance increased 38 percent in the General Fund. Revenues increased 4 percent primarily due to increases in intergovernmental revenues (grants and State foundation resources), income tax revenues, and miscellaneous revenues (one-time insurance reimbursement). Expenditures increased almost 17 percent due to salary and benefit related increases and various materials and supplies and purchased services increases. However, revenues continued to exceed current year expenditures.

General Fund Budgeting Highlights

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

During fiscal year 2014, the School District amended its General Fund budget as needed. For revenues, changes from both the original budget to the final budget and from the final budget to actual revenues were not significant. The same is true for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$11,782,483 invested in capital assets (net of accumulated depreciation). The most significant addition was four new school buses. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2014, the School District had outstanding loans payable, in the amount of \$455,667, and general obligation bonds, in the amount of \$4,598,347. In addition, the School District's long-term obligations include capital leases and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

Current Issues

The School District's current five-year forecast indicates that the School District is in a sound financial position throughout fiscal years 2015 through 2019. The School District's 2014 valuations will increase property tax revenues by over \$1,500,000 per year, commencing in 2015. The School District also plans to place the emergency levy on the ballot in 2015 for renewal.

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

In October 2014, the School District issued \$9,000,000 in new debt to finance the future building project. The School District plans bring the satellite elementary schools to the main campus by constructing additional classrooms to the existing structure, along with erecting a new field house and auxiliary gymnasium. The debt was issued at a premium of \$807,925; however, amounted to \$490,792 after expenses were deducted. This amount was place the Bond Retirement Fund to be applied to future debt service.

In anticipation of the loss of tangible personal taxes due to the State's elimination of the tax, the School District has reduced the budget for the past eight fiscal years. Most of the reductions to date have occurred through attrition, a trend expected to continue in an environment of contracting student enrollment and an aging staff.

The labor contract for certified employees is in the second year of a three-year contract and in the first year of a three-year contract for classified staff. The School District has been using the Interest Based Model of negotiating very successfully over the past decade.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School 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 Melissa Tope, Treasurer, Patrick Henry Local School District, 6900 State Route 18, Hamler, Ohio 43524.

Patrick Henry Local School District
Statement of Net Position
June 30, 2014

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,537,927
Accounts Receivable	48,902
Accrued Interest Receivable	741
Intergovernmental Receivable	122,374
Income Taxes Receivable	743,700
Inventory Held for Resale	5,073
Materials and Supplies Inventory	1,645
Property Taxes Receivable	4,176,246
Nondepreciable Capital Assets	591,100
Depreciable Capital Assets, Net	11,191,383
Total Assets	22,419,091
 <u>Deferred Outflows of Resources</u>	
Deferred Loss on Refunding	10,065
 <u>Liabilities:</u>	
Accounts Payable	49,692
Accrued Wages and Benefits Payable	930,516
Intergovernmental Payable	226,190
Accrued Interest Payable	12,571
Long-Term Liabilities:	
Due Within One Year	411,326
Due in More Than One Year	5,564,415
Total Liabilities	7,194,710
 <u>Deferred Inflows of Resources</u>	
Property Taxes Receivable	3,555,017
 <u>Net Position:</u>	
Net Investment in Capital Assets	7,044,523
Restricted For:	
Debt Service	485,186
Capital Projects	393,817
Classroom Facilities	524,890
Athletics and Music	119,408
Other Purposes	82,593
Unrestricted	3,029,012
Total Net Position	\$11,679,429

See Accompanying Notes to Basic Financial Statements

Patrick Henry Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$5,271,018	\$596,599	\$248,301	(\$4,426,118)
Special	1,451,730	81,571	766,469	(603,690)
Vocational	34,966	5,054	4,611	(25,301)
Support Services:				
Pupils	523,878	3,700	1,755	(518,423)
Instructional Staff	71,247	0	0	(71,247)
Board of Education	21,514	0	0	(21,514)
Administration	727,867	0	0	(727,867)
Fiscal	372,031	0	0	(372,031)
Business	84,202	0	0	(84,202)
Operation and Maintenance of Plant	1,066,199	0	0	(1,066,199)
Pupil Transportation	695,783	4,489	1,598	(689,696)
Central	393,057	0	7,200	(385,857)
Non-Instructional Services	477,241	181,692	202,608	(92,941)
Extracurricular Activities	465,111	125,822	750	(338,539)
Intergovernmental	4,991	0	0	(4,991)
Interest and Fiscal Charges	376,322	0	0	(376,322)
Total Governmental Activities	<u>\$12,037,157</u>	<u>\$998,927</u>	<u>\$1,233,292</u>	<u>(9,804,938)</u>

General Revenues:

Property Taxes Levied for General Purposes	3,091,690
Property Taxes Levied for Classroom Facilities Purpose:	40,885
Property Taxes Levied for Debt Service	302,047
Property Taxes Levied for Permanent Improvements	132,506
Income Taxes Levied for General Purposes	2,127,521
Grants and Entitlements not Restricted to Specific Programs	4,894,109
Interest	7,103
Gifts and Donations	50
Miscellaneous	358,508
Total General Revenues	<u>10,954,419</u>

Change in Net Position 1,149,481

Net Position at Beginning of Year - Restated (Note 3) 10,529,948

Net Position End of Year \$11,679,429

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,987,265	\$1,550,662	\$5,537,927
Accounts Receivable	48,902	0	48,902
Accrued Interest Receivable	741	0	741
Intergovernmental Receivable	38,532	83,842	122,374
Income Taxes Receivable	743,700	0	743,700
Inventory Held for Resale	0	5,073	5,073
Materials and Supplies Inventory	0	1,645	1,645
Property Taxes Receivable	3,599,927	576,319	4,176,246
Total Assets	<u>\$8,419,067</u>	<u>\$2,217,541</u>	<u>\$10,636,608</u>
<u>Liabilities</u>			
Accounts Payable	46,931	2,761	49,692
Accrued Wages and Benefits Payable	871,512	59,004	930,516
Intergovernmental Payable	211,960	14,230	226,190
Total Liabilities	<u>1,130,403</u>	<u>75,995</u>	<u>1,206,398</u>
<u>Deferred Inflows of Resources</u>			
Property Taxes Receivable	3,059,495	495,522	3,555,017
Unavailable Revenue	590,334	80,150	670,484
Total Deferred Inflows of Resources	<u>3,649,829</u>	<u>575,672</u>	<u>4,225,501</u>
<u>Fund Balances:</u>			
Nonspendable	0	1,645	1,645
Restricted	0	1,575,553	1,575,553
Assigned	52,783	0	52,783
Unassigned (Deficit)	3,586,052	(11,324)	3,574,728
Total Fund Balances	<u>3,638,835</u>	<u>1,565,874</u>	<u>5,204,709</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$8,419,067</u>	<u>\$2,217,541</u>	<u>\$10,636,608</u>

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2014

Total Governmental Fund Balances \$5,204,709

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, are not reported in the funds. 11,782,483

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	47,258	
Accrued Interest Receivable	3	
Intergovernmental Receivable	18,566	
Income Taxes Receivable	114,246	
Delinquent Property Taxes Receivable	490,411	
		670,484

Deferred outflows of resources include deferred losses on refundings which do not provide current financial resources and, therefore, are not reported in the funds. 10,065

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(12,571)	
Loans Payable	(455,667)	
General Obligation Bonds Payable	(4,598,347)	
Capital Leases Payable	(241,409)	
Compensated Absences Payable	(680,318)	
		(5,988,312)

Net Position of Governmental Activities \$11,679,429

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$2,905,430	\$430,342	\$3,335,772
Income Taxes	2,013,275	0	2,013,275
Intergovernmental	5,156,154	956,119	6,112,273
Interest	7,100	0	7,100
Tuition and Fees	651,577	0	651,577
Extracurricular Activities	10,938	107,462	118,400
Charges for Services	0	181,692	181,692
Gifts and Donations	50	750	800
Miscellaneous	283,588	74,920	358,508
Total Revenues	<u>11,028,112</u>	<u>1,751,285</u>	<u>12,779,397</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,867,610	181,325	5,048,935
Special	1,079,583	361,662	1,441,245
Vocational	34,339	0	34,339
Support Services:			
Pupils	532,312	1,703	534,015
Instructional Staff	80,517	0	80,517
Board of Education	21,514	0	21,514
Administration	754,037	8,318	762,355
Fiscal	326,758	15,462	342,220
Business	83,336	0	83,336
Operation and Maintenance of Plant	973,145	57,489	1,030,634
Pupil Transportation	814,659	9,751	824,410
Central	371,721	7,200	378,921
Non-Instructional Services	5,661	471,100	476,761
Extracurricular Activities	245,836	194,447	440,283
Intergovernmental	4,991	0	4,991
Debt Service:			
Principal Retirement	83,955	151,333	235,288
Interest and Fiscal Charges	0	273,350	273,350
Total Expenditures	<u>10,279,974</u>	<u>1,733,140</u>	<u>12,013,114</u>
Excess of Revenues Over Expenditures	<u>748,138</u>	<u>18,145</u>	<u>766,283</u>
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	325,364	0	325,364
Transfers In	0	65,251	65,251
Transfers Out	(65,251)	0	(65,251)
Total Other Financing Sources (Uses)	<u>260,113</u>	<u>65,251</u>	<u>325,364</u>
Changes in Fund Balances	1,008,251	83,396	1,091,647
Fund Balances Beginning of Year	<u>2,630,584</u>	<u>1,482,478</u>	<u>4,113,062</u>
Fund Balances End of Year	<u>\$3,638,835</u>	<u>\$1,565,874</u>	<u>\$5,204,709</u>

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2014

Changes in Fund Balances - Total Governmental Funds \$1,091,647

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

Governmental funds report capital outlays 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 depreciation exceeds capital outlay in the current fiscal year.

Capital Outlay - Depreciable Capital Assets	366,477	
Depreciation	<u>(468,715)</u>	(102,238)

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (18,878)

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

Delinquent Property Taxes	231,356	
Income Taxes	114,246	
Intergovernmental	14,378	
Tuition and Fees	47,258	
Interest	<u>3</u>	407,241

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.

Loans	76,333	
General Obligation Bonds	75,000	
Capital Leases	<u>83,955</u>	235,288

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net position. (325,364)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position.

Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities. Accounting losses are amortized over the life of the debt on the statement of activities.

Accrued Interest Payable	(62,577)	
Annual Accretion on Capital Appreciation Bonds	(41,964)	
Amortization of Premium	1,648	
Amortization of Deferred Charge on Refunding	<u>(79)</u>	(102,972)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (\$35,243)

Change in Net Position of Governmental Activities \$1,149,481

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$3,120,000	\$3,120,000	\$3,164,733	\$44,733
Income Taxes	1,834,972	1,834,972	2,105,631	270,659
Intergovernmental	4,793,871	4,993,871	5,148,563	154,692
Interest	6,500	6,500	6,920	420
Tuition and Fees	587,850	623,507	651,390	27,883
Extracurricular Activities	15,000	11,000	9,685	(1,315)
Gifts and Donations	0	1,000	50	(950)
Miscellaneous	66,200	217,186	211,411	(5,775)
Total Revenues	<u>10,424,393</u>	<u>10,808,036</u>	<u>11,298,383</u>	<u>490,347</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,857,926	4,972,318	4,831,378	140,940
Special	923,368	1,008,898	1,030,259	(21,361)
Vocational	83,000	83,000	34,339	48,661
Support Services:				
Pupils	616,731	563,769	544,432	19,337
Instructional Staff	164,458	145,597	145,024	573
Board of Education	21,470	22,868	21,831	1,037
Administration	824,617	817,200	777,178	40,022
Fiscal	312,907	317,802	331,269	(13,467)
Business	88,172	90,053	85,276	4,777
Operation and Maintenance of Plant	775,160	1,056,157	998,690	57,467
Pupil Transportation	561,029	575,369	589,817	(14,448)
Central	347,064	400,319	373,378	26,941
Non-Instructional Services	634	5,834	5,661	173
Extracurricular Activities	254,595	260,123	250,192	9,931
Intergovernmental	0	0	4,991	(4,991)
Total Expenditures	<u>9,831,131</u>	<u>10,319,307</u>	<u>10,023,715</u>	<u>295,592</u>
Excess of Revenues Over Expenditures	<u>593,262</u>	<u>488,729</u>	<u>1,274,668</u>	<u>785,939</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	15,000	60,158	60,158	0
Refund of Prior Year Receipts	(1,682)	(3,890)	(3,890)	0
Transfers Out	(63,285)	(63,285)	(63,285)	0
Total Other Financing Sources (Uses)	<u>(49,967)</u>	<u>(7,017)</u>	<u>(7,017)</u>	<u>0</u>
Changes in Fund Balance	543,295	481,712	1,267,651	785,939
Fund Balance Beginning of Year	2,691,845	2,691,845	2,691,845	0
Prior Year Encumbrances Appropriated	23,554	23,554	23,554	0
Fund Balance End of Year	<u>\$3,258,694</u>	<u>\$3,197,111</u>	<u>\$3,983,050</u>	<u>\$785,939</u>

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$11,103	\$46,484
<u>Liabilities:</u>		
Due to Students	0	\$46,484
<u>Net Position:</u>		
Held in Trust for Scholarships	9,404	
Endowment	1,699	
Total Net Position	\$11,103	

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
June 30, 2014

	Private Purpose Trust
<u>Additions:</u>	
Gifts and Donations	\$3,107
 <u>Deductions:</u>	
Non-Instructional Services	1,799
Change in Net Position	1,308
Net Position Beginning of Year	9,795
Net Position End of Year	\$11,103

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

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

The School District is the 482nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-four classified employees, sixty-eight certified teaching personnel, and eleven administrative employees who provide services to nine hundred fifty-nine students and other community members. The School District currently operates three instructional buildings.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Patrick Henry Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in four jointly governed organizations, a related organization, and three insurance pools. These organizations are the Northwest Ohio Computer Association, Northern Buckeye Education Council, Four County Career Center, Northwestern Ohio Educational Research Council, Inc., Edwin Wood Memorial Library, the Schools of Ohio Risk Sharing Authority, the Northern Buckeye Health Plan, and the Northern Buckeye Education Council Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 22, 23, and 24 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Patrick Henry Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District’s accounting policies.

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are reported in two categories, governmental and fiduciary.

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses 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 and deferred inflows of resources is reported as fund balance. The School District's only major governmental fund is the General Fund.

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

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in 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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

Note 2 - Summary of Significant Accounting Policies (continued)

The private purpose trust fund is accounted for using a flow of 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 basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources consists of a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized of the life of the old debt or the life of the new debt, whichever is shorter.

Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources consists of property taxes and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

Expenses/Expenditures

On the accrual basis, 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 legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level in all other funds. Budgetary allocations at the function level in the General Fund and at the function and object level within all other funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal 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 appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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.

Note 2 - Summary of Significant Accounting Policies (continued)

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During fiscal year 2014, investments consisted of nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. 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 net asset value per share, which is the price the investment could be sold for on June 30, 2014.

The Board of Education allocates interest according to State statute. Interest revenue credited to the General Fund during fiscal year 2014 was \$7,100, which includes \$2,210 assigned from other School District funds.

Investments of the School District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Inventory

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

H. Capital Assets

All of the School District’s capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand five hundred dollars. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	5-30 years
Buildings and Building Improvements	20-98 years
Furniture, Fixtures, and Equipment	5 - 30 years
Vehicles	8 years

I. Deferred Loss on Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

J. 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 the School District will compensate the employees for the benefits through paid time off or some other means. The School 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 School 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 School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year.

Note 2 - Summary of Significant Accounting Policies (continued)

L. Unamortized Premiums

On government-wide financial statements, premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period when the debt is issued.

M. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Fund Balance Reserves

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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 are imposed by law through constitutional provisions.

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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

O. Interfund Transactions

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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.

P. Estimates

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

Note 3 - Restatement of Net Position

In the prior fiscal year, the School District made errors in recording capital assets. The restatement had the following effect on net position.

	Total Governmental Activities
Net Position at June 30, 2013	\$12,840,942
Capital Assets	(6,283,330)
Accumulated Depreciation	3,972,336
Adjusted Net Position at June 30, 2013	\$10,529,948

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2014, the Title I and Title VI-R special revenue funds had deficit fund balances, in the amount of \$7,389 and \$3,935, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The Bond Retirement and House Bill 264 debt service funds had expenditures in excess of appropriations for the fiscal year ended June 30, 2014, in the amount of \$31 and \$31,000, respectively. The Treasurer will monitor budgetary activity to ensure that the expenditures do not exceed amounts appropriated.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are as follows:

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 restricted, committed, or assigned fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance

GAAP Basis	\$1,008,251
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2013, Received in Cash FY 2014	1,110,402
Accrued FY 2014, Not Yet Received in Cash	(781,973)
	(continued)

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 - Budgetary Basis of Accounting (continued)

Changes in Fund Balance
(continued)

Expenditure Accruals:	
Accrued FY 2013, Paid in Cash FY 2014	(\$1,199,183)
Accrued FY 2014, Not Yet Paid in Cash	1,130,403
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(4,215)
Budget Basis	<u>\$1,267,651</u>

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 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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal 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 Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Note 6 - Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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);
7. The State 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$369,074 of the School District's bank balance of \$5,174,133 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2014, the fair value of funds on deposit with STAR Ohio was \$508,301. The School District's investment in STAR Ohio had an average maturity of 51 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirement of State statute. Ohio law requires that STAR Ohio maintains the highest rating provided by at least one nationally recognized standard rating service.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 - Receivables

Receivables at June 30, 2014, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, and property taxes. 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. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
State of Ohio	\$7,591
Northwest State Community College	30,941
Total General Fund	<u>38,532</u>
Other Governmental Funds	
Title I	34,335
Title II-A	3,345
21 st Century	46,162
Total Other Governmental Funds	<u>83,842</u>
Total Governmental Activities	<u>\$122,374</u>

Note 8 - Income Taxes

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Property Taxes

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

Note 9 - Property Taxes (continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Henry, Putnam, and Wood Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2014, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2014, was \$111,605 in the General Fund, \$12,245 in the Bond Retirement debt service fund, and \$6,968 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2013, was \$370,908 in the General Fund, \$57 in the Classroom Facilities special revenue fund, \$35,323 in the Bond Retirement debt service fund, and \$19,755 in the Permanent Improvement capital projects fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 9 - Property Taxes (continued)

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$124,954,460	91.90%	\$125,027,810	91.75%
Industrial/Commercial	7,758,770	5.71	7,789,010	5.72
Public Utility Real	306,570	.23	309,110	.23
Public Utility Personal	2,940,580	2.16	3,141,730	2.30
Total Assessed Value	<u>\$135,960,380</u>	<u>100.00%</u>	<u>\$136,267,660</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.88		\$45.95	

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Restated Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$591,100	\$0	\$0	\$591,100
Depreciable Capital Assets				
Land Improvements	554,344	0	0	554,344
Buildings and Building Improvements	14,246,756	0	0	14,246,756
Furniture, Fixtures, and Equipment	1,407,077	41,113	0	1,448,190
Vehicles	1,196,870	325,364	(188,775)	1,333,459
Total Depreciable Capital Assets	<u>17,405,047</u>	<u>366,477</u>	<u>(188,775)</u>	<u>17,582,749</u>
Less Accumulated Depreciation				
Land Improvements	(433,439)	(6,847)	0	(440,286)
Buildings and Building Improvements	(3,757,553)	(250,749)	0	(4,008,302)
Furniture, Fixtures, and Equipment	(1,125,608)	(56,226)	0	(1,181,834)
Vehicles	(775,948)	(154,893)	169,897	(760,944)
Total Accumulated Depreciation	<u>(6,092,548)</u>	<u>(468,715)</u>	<u>169,897</u>	<u>(6,391,366)</u>
Depreciable Capital Assets, Net	<u>11,312,499</u>	<u>(102,238)</u>	<u>(18,878)</u>	<u>11,191,383</u>
Governmental Activities Capital Assets, Net	<u>\$11,903,599</u>	<u>(\$102,238)</u>	<u>(\$18,878)</u>	<u>\$11,782,483</u>

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 10 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$232,440
Vocational	627
Support Services:	
Pupils	1,935
Fiscal	349
Operation and Maintenance of Plant	40,842
Pupil Transportation	167,694
Extracurricular Activities	24,828
Total Depreciation Expense	\$468,715

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted for the following insurance coverage.

Coverage provided through Schools of Ohio Risk Sharing Authority is as follows:

General School District Liability	
Per Occurrence	\$15,000,000
Total Per Year	17,000,000
Vehicle Liability	15,000,000
Building and Contents	40,975,395

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

For fiscal year 2014, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Northern Buckeye Health Plan (Plan), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The School District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, vision, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Plan. The agreement for the Plan provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Plan, a participant is responsible for any claims not processed and paid and any related administrative costs.

Note 11 - Risk Management (continued)

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

Note 12 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 are as follows:

General Fund	\$4,215
Other Governmental Funds	43,427
Total	<u>\$47,642</u>

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on 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 DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Note 13 - Defined Benefit Pension Plans (continued)

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$510,203 and \$7,275 for the fiscal year ended June 30, 2014, \$509,769 and \$6,924 for the fiscal year ended June 30, 2013, and \$501,659 and \$6,801 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83 percent has been contributed for both the DBP and CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$1,310 made by the School District and \$1,029 made by the plan members. In addition, member contributions of \$5,716 were made for fiscal year 2014 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit 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 Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$148,706, \$144,069, and \$142,127, respectively. For fiscal year 2014, 57 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Note 13 - Defined Benefit Pension Plans (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2014, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care 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. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$39,907, \$39,897, and \$39,267, respectively. For fiscal year 2014, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Plan effective July 1, 2014.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Note 14 - Postemployment Benefits (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2014, this amount was \$20,250. For fiscal year 2014, the School District paid \$17,250 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$1,589, \$1,760, and \$6,155, respectively. For fiscal year 2014, 57 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$8,627, \$8,138, and \$8,393, respectively. For fiscal year 2014, 57 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Note 15 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to eligible employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred forty-four days for certified employees and two hundred thirty days for classified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of sixty-one days for certified employees and fifty-seven and one-half days for classified employees.

B. Health Care Benefits

The School District provides medical, dental, vision, and life insurance to all employees through the Northern Buckeye Health Plan.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Amounts Due Within One Year
Governmental Activities					
FY07 Loan Payable 4.4%	\$408,000	\$0	\$45,333	\$362,667	\$45,334
FY02 Loan Payable 0%	124,000	0	31,000	93,000	31,000
Total Loans Payable	<u>532,000</u>	<u>0</u>	<u>76,333</u>	<u>455,667</u>	<u>76,334</u>
General Obligation Bonds					
FY 2007 School Facilities Construction and Improvement Refunding					
Serial Bonds 4%	1,740,000	0	0	1,740,000	200,000
Term Bonds 3.65 - 4.13%	1,630,000	0	30,000	1,600,000	0
Capital Appreciation Bonds	500,000	0	0	500,000	0
Accretion on Capital Appreciation Bonds	505,434	41,964	0	547,398	0
Premium	212,597	0	1,648	210,949	0
FY 2003 School Facilities Improvement 2 - 4.75%					
	45,000	0	45,000	0	0
Total General Obligation Bonds	<u>4,633,031</u>	<u>41,964</u>	<u>76,648</u>	<u>4,598,347</u>	<u>200,000</u>
Capital Leases Payable	0	325,364	83,955	241,409	78,764
Compensated Absences Payable	645,075	71,426	36,183	680,318	56,228
Total Governmental Activities Long-Term Liabilities	<u>\$5,810,106</u>	<u>\$438,754</u>	<u>\$273,119</u>	<u>\$5,975,741</u>	<u>\$411,326</u>

FY07 Energy Conservation Loan Payable - On May 22, 2007, the School District obtained two loans, in the amount of \$340,000 each, to purchase and install energy conservation measures. The loan was issued for a fifteen year period, with final maturity during fiscal year 2022. The loan is being retired from the Bond Retirement debt service fund.

FY02 Loan Payable - On January 11, 2002, the School District participated in a fiber optic project with the Northern Buckeye Education Council. The School District elected to make fifteen annual payments of \$31,000. The loan is being retired from the Bond Retirement debt service fund. There are no capitalized assets associated with this debt.

FY 07 School Facilities Construction and Improvement Refunding Bonds - On May 10, 2007, the School District issued refunding general obligation bonds, in the original amount of \$4,010,000, to refund a portion of the FY 2003 School Facilities Construction and Improvement Bonds. The refunding bond issue includes serial, term, and capital appreciation bonds. The bonds were issued for a twenty-three year period, with final maturity in fiscal year 2031. The bonds are being retired through the Bond Retirement debt service fund.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 16 - Long-Term Obligations (continued)

The serial bonds maturing on or after December 1, 2017, are subject to redemption, at the option of the School District, either in whole or in part, in such order of maturity as the School District shall determine, on any interest payment date on or after June 1, 2017, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

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

<u>Year</u>	<u>Amount</u>
2008	\$10,000
2009	5,000
2010	10,000
2011	10,000
2012	25,000

The remaining principal, in the amount of \$30,000, will be paid at stated maturity on December 1, 2013.

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

<u>Year</u>	<u>Amount</u>
2026	\$295,000

The remaining principal, in the amount of \$305,000, will be paid at stated maturity on December 1, 2027.

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

<u>Year</u>	<u>Amount</u>
2028	\$320,000
2029	330,000

The remaining principal, in the amount of \$350,000, will be paid at stated maturity on December 1, 2030.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2016, December 1, 2017, December 1, 2018, December 1, 2019, December 1, 2020, and December 1, 2021, in the amount of \$235,000, \$245,000, \$255,000, \$260,000, and \$260,000, respectively. For fiscal year 2014, \$41,964 was accreted on the capital appreciation bonds for a total bond value of \$1,047,398 at fiscal year end.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 16 - Long-Term Obligations (continued)

FY03 School Facilities Construction and Improvement Bonds - On September 15, 2002, the School District issued \$5,010,000 in voted general obligation bonds for the construction of a new middle school and for renovating and improving the elementary schools. The bond issue included serial, term and capital bonds, in the original amount of \$1,816,000, \$3,075,000 and \$210,000, respectively. The bonds were issued for a twenty-seven year period, with final maturity during fiscal year 2030. During fiscal year 2007, a portion of the bonds, in the amount of \$4,010,000 was refunded. The bonds were fully retired during fiscal year 2014 through the Bond Retirement debt service fund.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

The School District's overall debt margin was \$8,600,481 with an unvoted debt margin of \$133,126 at June 30, 2014.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2014, were as follows:

FY 07 Loan Payable			
Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$45,334	\$15,957	\$61,291
2016	45,333	14,000	59,333
2017	45,333	11,968	57,301
2018	45,334	9,973	55,307
2019	45,333	7,978	53,311
2020-2022	136,000	11,983	147,983
Total	\$362,667	\$71,859	\$434,526

FY 03 Loan Payable	
Fiscal Year Ending June 30,	Principal
2015	\$31,000
2016	31,000
2017	31,000
Total	\$93,000

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 16 - Long-Term Obligations (continued)

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital	Interest	Total
2015	\$200,000	\$0	\$0	\$130,850	\$330,850
2016	225,000	0	0	122,350	347,350
2017	0	0	110,000	242,850	352,850
2018	0	0	105,000	257,850	362,850
2019	0	0	100,000	272,850	372,850
2020-2024	760,000	0	185,000	879,050	1,824,050
2025-2029	555,000	920,000	0	294,350	1,769,350
2030-2031	0	680,000	0	28,462	708,462
	<u>\$1,740,000</u>	<u>\$1,600,000</u>	<u>\$500,000</u>	<u>\$2,228,612</u>	<u>\$6,068,612</u>

Note 17 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for vehicles. New capital leases are reflected in the accounts "Transportation" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in fiscal year 2014 were \$83,955.

	Governmental Activities
Vehicles	\$325,364
Less Accumulated Depreciation	(21,692)
Carrying Value at June 30, 2014	<u>\$303,672</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014.

	Governmental Activities	
Year	Principal	Interest
2015	\$78,764	\$5,190
2016	80,458	3,497
2017	82,187	1,767
Total	<u>\$241,409</u>	<u>\$10,454</u>

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 18 - Fund Balance

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

<u>Fund Balance</u>	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Nonspendable for:			
Materials and Supplies			
Inventory	\$0	\$1,645	\$1,645
Restricted for:			
Athletics and Music	0	119,408	119,408
Debt Retirement	0	459,147	459,147
Facilities Maintenance	0	524,890	524,890
Food Service Operations	0	41,213	41,213
Permanent Improvements	0	370,843	370,843
Regular Instruction	0	60,000	60,000
Wellness Program	0	52	52
Total Restricted	<u>0</u>	<u>1,575,553</u>	<u>1,575,553</u>
Assigned for:			
Educational Activities	49,151	0	49,151
Unpaid Obligations	3,632	0	3,632
Total Assigned	<u>52,783</u>	<u>0</u>	<u>52,783</u>
Unassigned (Deficit)	3,586,052	(11,324)	3,574,728
Total Fund Balance	<u>\$3,638,835</u>	<u>\$1,565,874</u>	<u>\$5,204,709</u>

Note 19 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2014.

Balance June 30, 2013	\$0
Current Year Set Aside Requirement	162,947
Current Year Offsets	(162,947)
Reserve Balance June 30, 2014	<u>\$0</u>

Note 20 - Interfund Transfers

During fiscal year 2014, the General Fund made transfers to other governmental funds, in the amount of \$65,251, to subsidize operations of other funds.

Note 21 - Donor Restricted Endowments

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$1,699, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$9,404 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 22 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2014, the School District paid \$92,440 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 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 educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood 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 six 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. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, 22-900 State Route 34, Archbold, Ohio 43502.

Note 22 - Jointly Governed Organizations (continued)

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools, and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio, 45822.

Note 23 - Related Organization

The Edwin Wood Memorial Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Patrick Henry Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Edwin Wood Memorial Library, 208 North East Street, Deshler, Ohio 43516.

Note 24 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

B. Northern Buckeye Health Plan

The Northern Buckeye Health Plan (Plan), is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Plan is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

Note 24 - Insurance Pools (continued)

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

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

Note 25 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

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

Note 26 - Subsequent Event

On November 5, 2014, the School District issued general obligation debt, in the amount of \$9,000,000, for constructing, renovating, and improving school facilities. The bonds have an interest rate of 2 to 5 percent and mature on December 1, 2043.

Note 27 – Changes in Accounting Principles

For 2014 the School District implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" and Statement No. 66, "Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62."

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Note 27 – Changes in Accounting Principles (Continued)

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

The implementation of GASB Statements No. 65 and 66 had no material effect on the financial statements.

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Patrick Henry Local School District
Henry County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 39,564	\$ -	\$ 39,564	\$ -
National School Lunch Program	3L60	10.555	137,475	23,014	137,475	23,014
Total United States Department of Agriculture - Nutrition Cluster			177,039	23,014	177,039	23,014
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I, Part A	3M00	84.010	145,138	-	152,247	-
Twenty-First Century Community Learning Centers Program	3Y20	84.287	153,838	-	139,755	-
State Fiscal Stabilization Fund - Race to the Top, ARRA	3FD0	84.395	350	-	350	-
Improving Teacher Quality Grant	3Y60	84.367	42,343	-	43,848	-
Total United States Department of Education			341,669	-	336,200	-
Total Federal Financial Assistance			\$ 518,708	\$ 23,014	\$ 513,239	\$ 23,014

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

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

NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.



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 the Patrick Henry Local School District, Henry County, Ohio (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 16, 2015, wherein we noted the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 65.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
March 16, 2015



Balestra, Harr & Scherer, CPAs, Inc.

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

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Patrick Henry Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect Patrick Henry Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Programs

In our opinion, the Patrick Henry Local School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
March 16, 2015

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

**Schedule of Findings
OMB Circular A-133 Section §.505
For the Year Ended June 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies; CFDA #84.010 Child Nutrition Cluster: School Breakfast Program; CFDA #10.553 National School Lunch Program; CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all other
(d)(1)(ix)	Low Risk Auditee?	No

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

**Schedule of Findings
OMB Circular A-133 Section §.505
(Continued)
For the Year Ended June 30, 2014**

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

Material Weakness – Financial Reporting

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

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

Client Response:

The School District did not respond to the finding.

3. FINDINGS FOR FEDERAL AWARDS

None Noted

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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
MAY 7, 2015**