



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Patrick Henry Local School District  
Henry County  
6-900 State Route 18  
Hamler, Ohio 43524-9781

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Patrick Henry Local School District, Henry County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Patrick Henry Local School District, Henry County, as of June 30, 2000, and the results of its operations and the cash flows of its enterprise and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

January 18, 2001

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**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
For the Year Ended June 30, 2000**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,060,105	\$229,479	\$207,151
Cash and Cash Equivalents:			
With Fiscal Agents		187	
Receivables:			
Taxes	1,959,630		189,516
Accounts	19,436		
Intergovernmental			
Accrued Interest	6,319		
Interfund Receivable	1,650		
Income Tax	478,975		
Materials and Supplies Inventory	10,212		
Prepaid Items	11,952		
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	109,960		
Fixed Assets (Net of Accumulated Depreciation where applicable)			
<b>Other Debits:</b>			
Provided from General Government Resources			
<b>Total Assets and Other Debits</b>	<b>\$4,658,239</b>	<b>\$229,666</b>	<b>\$396,667</b>



Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$41,370	\$49,592			\$2,587,697
				187
				2,149,146
				19,436
8,554				8,554
				6,319
				1,650
				478,975
14,839				25,051
				11,952
				109,960
42,938		\$8,479,919		8,522,857
			\$1,071,482	1,071,482
<b>\$107,701</b>	<b>\$49,592</b>	<b>\$8,479,919</b>	<b>\$1,071,482</b>	<b>\$14,993,266</b>

(Continued)

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
For the Year Ended June 30, 2000  
(Continued)**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts Payable	\$43,840	\$13,387	\$2,087
Accrued Wages and Benefits	722,092	24,080	
Compensated Absences Payable	49,274		
Interfund Payable		1,650	
Intergovernmental Payable	99,701	2,601	
Deferred Revenue	1,751,048		174,391
Due to Students			
Energy Conservation Loan Payable			
Total Liabilities	2,665,955	41,718	176,478
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved:			
Reserved for Encumbrances	160,446	21,596	27,202
Reserved for Inventory	10,212		
Reserved for Prepaid Items	11,952		
Reserved for Advances	1,650		
Reserved for Endowments			
Reserved for Property Taxes	208,582		15,125
Reserved for Budget Stabilization	109,960		
Unreserved:			
Unreserved, Undesignated	1,489,482	166,352	177,862
Total Fund Equity and Other Credits	1,992,284	187,948	220,189
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$4,658,239</b>	<b>\$229,666</b>	<b>\$396,667</b>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$483	\$8,489			\$68,286
28,952				775,124
12,269			\$662,396	723,939
				1,650
11,181			35,086	148,569
7,837				1,933,276
	31,402			31,402
			374,000	374,000
<u>60,722</u>	<u>39,891</u>		<u>1,071,482</u>	<u>4,056,246</u>
		\$8,479,919		8,479,919
46,979				46,979
				209,244
				10,212
				11,952
				1,650
	6,999			6,999
				223,707
				109,960
	<u>2,702</u>			<u>1,836,398</u>
<u>46,979</u>	<u>9,701</u>	<u>8,479,919</u>		<u>10,937,020</u>
<u><b>\$107,701</b></u>	<u><b>\$49,592</b></u>	<u><b>\$8,479,919</b></u>	<u><b>\$1,071,482</b></u>	<u><b>\$14,993,266</b></u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Intergovernmental	\$3,740,754	\$291,117
Interest	157,288	
Tuition and Fees	6,321	7,250
Rent	50	
Extracurricular Activities		168,358
Income Tax	1,483,920	
Property and Other Local Taxes	2,004,540	
Miscellaneous	6,601	43,979
	<hr/>	<hr/>
Total Revenues	7,399,474	510,704
	<hr/>	<hr/>
<b>Expenditures:</b>		
Instruction:		
Regular	3,498,603	37,018
Special	47,001	171,226
Vocational	247,504	
Adult/Continuing		105
Other	450,200	1,027
Support services:		
Pupils	212,686	40,745
Instructional Staff	311,448	24,913
Board of Education	14,973	
Administration	1,202,153	40,129
Fiscal	247,213	
Business	76,402	
Operation and Maintenance of Plant	578,937	
Pupil Transportation	417,200	
Central	112,683	12,024
Non-Instructional Services		2,000
Extracurricular Activities	180,822	196,103
Debt Service:		
Debt Service - Principal		
Debt Service - Interest		
	<hr/>	<hr/>
Total Expenditures	7,597,825	525,290
	<hr/>	<hr/>
Excess of Expenditures over Revenues	(198,351)	(14,586)
	<hr/>	<hr/>
<b>Other Financing Sources and Uses</b>		
Operating Transfers In		9,935
Other Financing Sources	18,894	
Operating Transfers Out	(120,366)	
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(101,472)	9,935
	<hr/>	<hr/>
Excess of Expenditures and Other Financing Uses Over Revenues and Other Financing Sources	(299,823)	(4,651)
	<hr/>	<hr/>
Fund Balance at Beginning of Year	2,292,107	192,599
	<hr/>	<hr/>
<b>Fund Balance at End of Year</b>	<b>\$1,992,284</b>	<b>\$187,948</b>
	<hr/> <hr/>	<hr/> <hr/>

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
	\$91,369	\$68	\$4,123,240
			157,356
			13,571
			50
			168,358
	145,775		1,483,920
			2,150,315
			50,580
	237,144	68	8,147,390
	117,899		3,653,520
			218,227
			247,504
			105
			451,227
	762		253,431
			337,123
			14,973
	3,362		1,242,282
			250,575
			76,402
	373,077		952,014
			417,200
			124,707
			2,000
		68	376,993
\$48,964			48,964
13,846			13,846
62,810	495,100	68	8,681,093
(62,810)	(257,956)		(533,703)
62,810	170		72,915
			18,894
			(120,366)
62,810	170		(28,557)
	(257,786)		(562,260)
	477,975	2,702	2,965,383
	<b>\$220,189</b>	<b>\$2,702</b>	<b>\$2,403,123</b>

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2000**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$3,500,000	\$3,738,587	\$238,587
Interest	130,000	152,620	22,620
Tuition and Fees	20,000	6,321	(13,679)
Rent	41	50	9
Extracurricular Activities			
Income Tax	1,275,000	1,540,156	265,156
Property and Other Local Taxes	2,016,000	1,959,816	(56,184)
Miscellaneous	15,200	5,368	(9,832)
<b>Total Revenues</b>	<b>6,956,241</b>	<b>7,402,918</b>	<b>446,677</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,700,000	3,406,375	293,625
Special	75,000	44,607	30,393
Vocational	300,000	249,741	50,259
Adult/Continuing			
Other	300,000	464,069	(164,069)
Support services:			
Pupils	300,000	218,450	81,550
Instructional Staff	300,000	326,104	(26,104)
Board of Education	25,000	15,863	9,137
Administration	1,150,000	1,215,419	(65,419)
Fiscal	250,000	248,691	1,309
Business	100,000	73,516	26,484
Operation and Maintenance of Plant	600,000	633,089	(33,089)
Pupil Transportation	500,000	426,155	73,845
Central	200,000	122,732	77,268
Non-Instructional Services			
Extracurricular Activities	250,000	179,419	70,581
Capital Outlay	46,227		46,227
Debt Service:			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<b>8,096,227</b>	<b>7,624,230</b>	<b>471,997</b>
Excess of Revenues Over (Under) Expenditures	(1,139,986)	(221,312)	918,674
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	100,000		(100,000)
Proceeds from Sale of Fixed Assets	500	1,250	750
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources		1,600	1,600
Operating Transfers Out	(197,123)	(120,366)	76,757
Refund of Prior Year Receipts			
Advances Out	(6,522)	(1,650)	4,872
<b>Total Other Financing Sources (Uses)</b>	<b>(103,145)</b>	<b>(119,166)</b>	<b>(16,021)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,243,131)	(340,478)	902,653
Fund Balances at Beginning of Year	2,218,025	2,218,025	
Prior Year Encumbrances Appropriated	102,093	102,093	
<b>Fund Balance at End of Year</b>	<b>\$1,076,987</b>	<b>\$1,979,640</b>	<b>\$902,653</b>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$230,000	\$222,086	(\$7,914)			
3,267	7,530	4,263			
170,000	206,752	36,752			
4,800	6,118	1,318			
408,067	442,486	34,419			
12,145	34,731	(22,586)			
52,625	146,620	(93,995)			
178	105	73			
1,585	1,390	195			
8,410	8,359	51			
5,967	15,248	(9,281)			
24,864	44,824	(19,960)			
191,117		191,117			
6,003	12,024	(6,021)			
	2,000	(2,000)			
161,143	218,292	(57,149)			
			\$47,463	\$48,964	(1,501)
			15,347	13,846	\$1,501
464,037	483,593	(19,556)	62,810	62,810	
(55,970)	(41,107)	14,863	(62,810)	(62,810)	
	9,935	9,935	125,620	62,810	(62,810)
76		(76)			
	1,650	1,650			
9,000		(9,000)			
(5,967)		5,967			
3,109	11,585	8,476	125,620	62,810	(62,810)
(52,861)	(29,522)	23,339	62,810		(62,810)
188,575	188,575				
38,963	38,963				
<b>\$174,677</b>	<b>\$198,016</b>	<b>\$23,339</b>	<b>\$62,810</b>		<b>(\$62,810)</b>

(Continued)

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2000  
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$22,200	\$91,369	\$69,169
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Income Tax			
Property and Other Local Taxes	213,300	142,704	(70,596)
Miscellaneous			
Total Revenues	235,500	234,073	(1,427)
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	100,674	117,899	(17,225)
Special			
Vocational			
Adult/Continuing			
Other			
Support services:			
Pupils			
Instructional Staff	9,954	763	9,191
Board of Education			
Administration			
Fiscal	8,318	3,362	4,956
Business			
Operation and Maintenance of Plant	410,024	448,553	(38,529)
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay			
Debt Service:			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	528,970	570,577	(41,607)
Excess of Revenues Over (Under) Expenditures	(293,470)	(336,504)	(43,034)
<b>Other Financing Sources and Uses</b>			
Operating Transfers In		170	170
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out			
Total Other Financing Sources (Uses)		170	170
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(293,470)	(336,334)	(42,864)
Fund Balances at Beginning of Year	481,227	481,227	
Prior Year Encumbrances Appropriated	32,970	32,970	
<b>Fund Balance at End of Year</b>	<b>\$220,727</b>	<b>\$177,863</b>	<b>(\$42,864)</b>

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



Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$70	\$68	(\$2)	\$3,752,200	\$4,052,042	\$299,842
			130,070	152,688	22,618
			23,267	13,851	(9,416)
			41	50	9
			170,000	206,752	36,752
			1,275,000	1,540,156	265,156
			2,229,300	2,102,520	(126,780)
			20,000	11,486	(8,514)
70	68	(2)	7,599,878	8,079,545	479,667
			3,812,819	3,559,005	253,814
			127,625	191,227	(63,602)
			300,000	249,741	50,259
			178	105	73
			301,585	465,459	(163,874)
			308,410	226,809	81,601
			315,921	342,115	(26,194)
			25,000	15,863	9,137
			1,174,864	1,260,243	(85,379)
			258,318	252,053	6,265
			100,000	73,516	26,484
			1,201,141	1,081,642	119,499
			500,000	426,155	73,845
			206,003	134,756	71,247
70	68	2	411,213	397,779	13,434
			46,227	2,000	46,227
			47,463	48,964	(1,501)
			15,347	13,846	1,501
70	68	2	9,152,114	8,741,278	410,836
			(1,552,236)	(661,733)	890,503
			225,620	72,915	(152,705)
			500	1,250	750
			76		(76)
				1,650	1,650
			9,000	1,600	(7,400)
			(197,123)	(120,366)	76,757
			(5,967)		5,967
			(6,522)	(1,650)	4,872
			25,584	(44,601)	(70,185)
			(1,526,652)	(706,334)	820,318
2,702	2,702		2,890,529	2,890,529	
			174,026	174,026	
<b>\$2,702</b>	<b>\$2,702</b>		<b>\$1,537,903</b>	<b>\$2,358,221</b>	<b>\$820,318</b>

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Fund Equity  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2000**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Revenues:</b>			
Sales	\$281,061		\$281,061
Tuition	940		940
Other Revenues	14,125		14,125
Contributions and Donations		\$401	401
<b>Total Operating Revenues</b>	<b>296,126</b>	<b>401</b>	<b>296,527</b>
<b>Operating Expenses</b>			
Salaries	146,577		146,577
Fringe Benefits	52,765		52,765
Purchased Services	5,851		5,851
Materials and Supplies	211,479		211,479
Depreciation	1,138		1,138
Other	788	401	1,189
<b>Total Operating Expenses</b>	<b>418,598</b>	<b>401</b>	<b>418,999</b>
Operating Loss	(122,472)		(122,472)
<b>Non-Operating Revenues and Expenses</b>			
Federal Donated Commodities	22,234		22,234
Federal and State Subsidies	57,965		57,965
<b>Total Non-Operating Revenues and Expenses</b>	<b>80,199</b>		<b>80,199</b>
Net Loss Before Operating Transfers	(42,273)		(42,273)
Operating Transfers-In	47,451		47,451
Net Income	5,178		5,178
Retained Earnings/Fund Balances at Beginning of Year	41,801	6,999	48,800
<b>Retained Earnings/Fund Balances at End of Year</b>	<b>\$46,979</b>	<b>\$6,999</b>	<b>\$53,978</b>

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Statement of Cash Flow  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2000**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase/(Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Sales	\$287,732		\$287,732
Cash Received from Tuition	940		940
Other Cash Receipts	14,125	\$401	14,526
Cash Payments to Suppliers for Goods and Service	(193,018)		(193,018)
Cash Payments for Contract Services	(5,851)		(5,851)
Cash Payments for Employee Services	(132,251)		(132,251)
Cash Payments for Employee Benefits	(63,819)		(63,819)
Other Cash Payments	(788)	(401)	(1,189)
Net Cash Provided Used by Operating Activities	<u>(92,930)</u>		<u>(92,930)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants Received	58,035		58,035
Transfers In	47,451		47,451
Net Cash Provided by Noncapital Financing Activities	<u>105,486</u>		<u>105,486</u>
Payments for Capital Acquisitions	<u>(2,449)</u>		<u>(2,449)</u>
Net Increase in Cash and Cash Equivalents	10,107		10,107
Cash and Cash Equivalents at Beginning of Year	<u>31,263</u>	<u>6,999</u>	<u>38,262</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$41,370</u></b>	<b><u>\$6,999</u></b>	<b><u>\$48,369</u></b>

(Continued)

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Statement of Cash Flow  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2000  
(Continued)**

	<b>Proprietary Fund Types</b>	<b>Fiduciary Fund Type</b>	<b>Totals</b>
	<b>Enterprise</b>	<b>Nonexpendable Trust</b>	<b>(Memorandum Only)</b>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>			
Operating Loss	(\$122,472)		(\$122,472)
<b>Adjustments to Reconcile Operating Loss To Net Cash Used by Operating Activities:</b>			
Depreciation	1,138		1,138
Donated Commodities Used During the Year	22,234		22,234
Decrease in Assets:			
Accounts Receivable	6,671		6,671
Material and Supplies Inventory	3,221		3,221
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	(683)		(683)
Intergovernmental Payable	(3,408)		(3,408)
Deferred Revenue	(2,396)		(2,396)
Accounts Payable	(4,599)		(4,599)
Accrued Wages and Benefits	7,364		7,364
<b>Net Cash Used by Operating Activities</b>	<b>(\$92,930)</b>		<b>(\$92,930)</b>
<b>Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2000:</b>			
Cash and Cash Equivalents - Trust and Agency Funds			\$49,592
Less: Expendable Trust Funds			(2,702)
Less: Agency Funds			(39,891)
<b>Cash and Cash Equivalents - Nonexpendable Trust Funds</b>			<b>\$6,999</b>

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000**

**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 statute and/or Federal guidelines.

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred forty-seven square miles. It is located in Henry, Putnam, and Wood Counties, and includes all of the Village of Hamler, Deshler, Malinta and portions of Marion, Monroe, Richfield, Bartlow, Van Buren, Harrison, and Damascus Townships. The School District is the 458th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 49 classified employees, 81 certified full-time teaching personnel, and 7 administrative employees who provide services to 1,197 students and other community members. The School District currently operates four instructional buildings and one bus garage.

**Reporting Entity:**

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Patrick Henry Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School Districts accounting policies are described below.

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

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

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

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

**Governmental Fund Types:**

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

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

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

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

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

**Proprietary Fund Types:**

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

*Enterprise Funds* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, and other governmental units and or other funds. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Account Groups:**

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

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

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

**B. Measurement Focus and Basis of Accounting**

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

The proprietary fund type and the Nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type and nonexpendable trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: grants, interest, tuition, student fees, and rent.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust funds. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable.

The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

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

**Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain



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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

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

**Estimated Resources:**

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

The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

**Appropriations:**

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, four supplemental appropriation resolutions were legally enacted.

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

**Encumbrances:**

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**Lapsing of Appropriations:**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2000, investments were limited to certificates of deposit.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amount to \$157,288 which includes \$39,322 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption.

The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

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

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

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

**H. Interfund Assets/Liabilities**

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

**I. Compensated Absences**

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

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

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

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

**K Intergovernmental Revenues**

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

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

**Entitlements**

General Fund

State Foundation Program  
School Bus Purchase Allocation  
State Property Tax Relief

**Non-Reimbursable Grants**

Special Revenue Funds

Professional Development  
Management Information System  
Eisenhower  
Title VI-B  
Title I  
Title VI  
Drug Free Grant  
E-Rate Grant  
Preschool Handicap  
SchoolNet Professional Development  
Textbook Subsidy  
Disadvantaged Pupil Program Fund  
Disadvantaged Pupil Impact Aid Fund  
School Net Training Grant  
Ohio Reads Grant

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

Capital Projects Funds

SchoolNet Plus  
OneNet  
Technology Equity  
Emergency Building Repair

**Reimbursable Grants**

General Fund

Driver Education

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 48 percent of the School District's operating revenue during the 2000 fiscal year.

**L. Interfund Transactions**

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

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

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**N. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepaid items, property taxes, budget stabilization, and endowments.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for endowments signifies the legal restrictions on the use of principal.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

**O. Estimates**

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

**P. Total Columns on General-Purpose Financial Statements**

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

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

**NOTE 3 - COMPLIANCE**

Although there were no funds with negative cash balances at year end, the following funds had negative balances at January 31, 2000:

Fund	Negative Fund Balance
002 Debt Service Fund	\$53,928
006 Food Service Fund	2,216
497 Emergency Building Fund	84,075
572 Title I Fund	11,657
599 Title VI-R Fund	4,208

At June 30, 2000 there were several accounts and the following funds with expenditures plus encumbrances that exceeded appropriations:

Fund	Amount
<b>Special Revenue Fund Type</b>	
014 Scholarship Fund	\$226
300 Athletics Fund	32,855
451 OneNet Grant Fund	10,848
459 Ohio Reads Grant Fund	17,248
599 Title VI-R Fund	5,309
<b>Capital Projects Fund Type</b>	
497 Emergency Building Repair Fund	106,960
<b>Enterprise Fund Type</b>	
006 Food Service Fund	55,087
009 Uniform School Supplies Fund	1,086

The District did not certify some expenditures as required by Ohio Revised Code Section 5705.41(D).

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances -Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types			
	General	Special Revenue	Capital Projects
Budget Basis	(\$340,478)	(\$29,522)	(\$336,334)
Adjustments for:			
Revenue Accruals	12,600	66,568	3,071
Expenditure Accruals	(162,370)	(73,158)	46,188
Encumbrances	190,425	31,461	29,289
GAAP Basis	(\$299,823)	(\$4,651)	(\$257,786)

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury.

Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

An investment must mature within five years from the day of purchase unless matched to a specific obligation of the School District and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During fiscal year 2000, investments were limited to Certificates of Deposit and Repurchase Agreements. All investments of the School District had a maturity of two years or less.

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits -At fiscal year end, the carrying amount of the School District's deposits was \$2,696,977 and the bank balance was \$2,770,159. Of the bank balance \$211,408 was covered by federal depository insurance and \$2,520,885 was collateralized by securities held by the financial institutions trust department in the School District's name.

At June 30, 2000, \$37,866 of deposits were not insured or collateralized, contrary to Chapter 135, Ohio Revised Code.

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

	Cash and Cash Equivalents\Deposits
GASB Statement 9	\$2,697,844
Cash with Educational Service Center	(187)
Cash on Hand	(680)
GASB Statement 3	\$2,696,977

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes.

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

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

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

The School District receives property taxes from Henry, Putnam, and Wood Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility property taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$208,582 in the General Fund and \$15,125 in the Capital Projects Fund.

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$64,165,790	78.55%	\$76,795,860	82.30%
Public Utility	9,075,497	11.11%	9,592,860	10.28%
Tangible Personal Property	8,437,540	10.34%	6,920,686	7.42%
Total Assessed Value	<u>\$81,678,827</u>	<u>100.00%</u>	<u>\$93,309,406</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$31.35		\$34.75	

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

**NOTE 7 - INCOME TAX**

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

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2000, consisted of property and income taxes, accounts (student fees, billings for user charged services, and rent), intergovernmental grants, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**NOTE 9 - FIXED ASSETS**

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

	Enterprise
Furniture and Equipment	\$173,958
Less: Accumulated Depreciation	(131,020)
Net Fixed Assets	\$42,938

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Land and Improvements	\$911,754	\$23,068		\$934,822
Buildings and Improvements	3,892,014	310,279	(\$141,218)	4,061,075
Furniture and Equipment	1,633,475	335,621		1,969,096
Vehicles	705,327	103,276	(41,839)	766,764
Text and Library Books	743,162			743,162
Totals	\$7,885,732	\$772,244	(\$183,057)	\$8,474,919

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts: theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Indiana Insurance and Nationwide Insurance for the following insurance coverage's.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

Building and Contents - replacement cost (\$ 1,000 deductible)	\$19,939,437
Inland Marine Coverage (\$100 deductible)	183,158
Employee Dishonesty Bond - blanket (no deductible)	10,000
Vehicle Liability (combined single limit)	1,000,000
Medical Payments per Person	5,000
Uninsured/Underinsured Motorists	500,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

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

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

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

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the Patrick Henry Local School District is required to contribute an actuarially determined rate. The current rate is 14 percent

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contribution for pension obligations to SERS for the fiscal years ending June 30, 2000, 1999, and 1998 were \$49,281, \$63,664, and \$61,958, respectively; 47 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$26,320, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The Patrick Henri Local School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ending June 30, 2000, 1999, and 1998, were \$197,782, \$190,087, and \$184,044, respectively; 92 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$82,528, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$263,678 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$76,149 for fiscal year 2000.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Other Employee Benefits**

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Principal Outstanding 06/30/99	Additions	Reductions	Principal Outstanding 06/30/00
Energy Conservation Loan	\$418,000		\$44,000	\$374,000
Due to Other Governments	41,657		6,571	35,086
Compensated Absences	635,090	\$27,306		662,396
<b>Total Long-Term Obligations</b>	<b><u>\$1,094,747</u></b>	<b><u>27,306</u></b>	<b><u>\$50,571</u></b>	<b><u>\$1,071,482</u></b>

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

Due to Other Governments is the retirement for each employee and will be paid from the fund from which the employees' salaries are paid.

On February 10, 1997, Patrick Henry Local School District issued \$500,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372.

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000 are as follows.

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$46,000	\$16,673	\$62,673
2002	48,000	14,440	62,440
2003	52,000	12,065	64,065
2004	54,000	9,548	63,548
2005	56,000	6,935	62,935
2006	58,000	4,227	62,227
2007	60,000	1,426	61,426
<b>Total</b>	<b><u>\$374,000</u></b>	<b><u>\$65,314</u></b>	<b><u>\$439,314</u></b>

The School District's voted legal debt margin was \$8,397,406 with an unvoted debt margin of \$93,309 at June 30, 2000.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Patrick Henry Local School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$255,610	\$39,576	\$940	\$296,126
Operating Expenses less Depreciation	365,440	52,020		417,460
Depreciation Expense	1,138			1,138
Operating Income (Loss)	(110,968)	(12,444)	940	(122,472)
Donated Commodities	22,234			22,234
Grants	57,965			57,965
Transfer In	46,600	851		47,451
Net Income (Loss)	15,831	(11,593)	940	5,178
Net Working Capital	(15,277)	18,378	940	4,041
Total Assets	88,383	18,378	940	107,701
Total Liabilities	60,722			60,722
Total Equity	27,661	18,378	940	46,979

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modem technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Northern Buckeye Education Council governs NWOCA and its participating members. In fiscal year 2000, Patrick Henry Local School District contributed \$22,508 to NWOCA. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, and Williams Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located.

The Board is elected from an Assembly consisting of a representative from each participating educational entity. In fiscal year 2000, Patrick Henry Local School District contributed \$250 to the Northern Buckeye



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

Education Council. Financial information can be obtained from the Northern Buckeye Education Council. Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Joint Vocational School**

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

**NOTE 17 - INSURANCE POOLS**

**A. Northern Buckeye Education Council Employee Insurance Benefits Program**

The Northern Buckeye Education Council Employee Insurance Benefits Program (the Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties. The NBEC and its participating members govern the Program. In fiscal year 2000, Patrick Henry Local School District contributed \$817,578, which represents 4% of total contributions. Financial information can be obtained from Northern Buckeye Education Council. Cindy Siler, who serves as Treasurer at 22-900 State Route 34, Archbold, Ohio 43502.

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

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the Northern Buckeye Education Council and the participating members of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participating members pay an enrollment fee, \$844 in fiscal year 2000, to the Plan to cover the costs of administering the program.

**NOTE 18 - RELATED ORGANIZATION**

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**B. Litigation**

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

**NOTE 20 - SET ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000			\$77,773	\$77,773
Current Year Set-aside Requirement	167,796	167,796	32,187	367,779
Current Year Offsets		(142,704)		(142,704)
Qualifying Disbursements	<u>(237,153)</u>	<u>(64,115)</u>		<u>(301,268)</u>
Total	<u><u>(\$69,357)</u></u>	<u><u>(\$39,023)</u></u>	<u><u>\$109,960</u></u>	<u><u>\$1,580</u></u>
Amount restricted for Budget Stabilization				<u><u>\$109,960</u></u>
Total Restricted Assets				<u><u>\$109,960</u></u>

**NOTE 21 – STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)**

School District. During the fiscal year ended June 30, 2000, the School District received \$3,537,849 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "major areas warrant further attention, study, and development by the General Assembly," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**NOTE 22 - TRANSFERS**

Transfers for the fiscal year ended June 30, 2000 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Special Revenue Fund	\$9,935	
Debt Service Fund	62,810	
Capital Projects Fund	170	
Enterprise Fund	47,451	
General Fund		120,366
Total transfers	<u>\$120,366</u>	<u>120,366</u>

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

Patrick Henry Local School District  
Henry County  
6-900 State Route 18  
Hamler, Ohio 43524-9781

To the Board of Education:

We have audited the financial statements of Patrick Henry Local School District, Henry County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10135-001, 2000-10135-002 and 2000-10135-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 18, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 18, 2001.

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

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

**Jim Petro**  
Auditor of State

January 18, 2001

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2000**

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

**FINDING NUMBER 2000-10135-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.10 states money paid into any fund shall be used only for the purposes for which the fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

Although there were no funds with negative cash balances at year end, the following funds had negative balances at January 31, 2000:

Fund	Negative Fund Balance
002 Debt Service Fund	\$53,928
006 Food Service Fund	2,216
497 Emergency Building Fund	84,075
572 Title I Fund	11,657
599 Title VI-R Fund	4,208

We recommend the District make transfers or advances from the General Fund, or reduce planned expenditures as necessary to avoid deficit balances.

**FINDING NUMBER 2000-10135-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated. At June 30, 2000 expenditures plus encumbrances exceeded appropriations in the following funds:

Fund	Amount
<b>Special Revenue Fund Type</b>	
014 Scholarship Fund	\$226
300 Athletics Fund	32,855
451 OneNet Grant Fund	10,848
459 Ohio Reads Grant Fund	17,248
599 Title VI-R Fund	5,309
<b>Capital Projects Fund Type</b>	
497 Emergency Building Repair Fund	106,960
<b>Enterprise Fund Type</b>	
006 Food Service Fund	55,087
009 Uniform School Supplies Fund	1,086

**FINDING NUMBER 2000-10135-002**  
**(Continued)**

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

**FINDING NUMBER 2000-10135-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certifications are to be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, at the time of the contract or purchase order, and at the time of the certificate, appropriated and free of any previous encumbrance, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Thirty-six percent of the transactions tested had not received prior certification nor were they certified using a then and now certification. This procedure is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board.

To improve controls over disbursements, it is recommended that all District disbursements receive prior certification of the Treasurer and that the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Treasurer and recorded against appropriations.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**PATRICK HENRY LOCAL SCHOOL DISTRICT**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 08, 2001**