



**Auditor of State  
Betty Montgomery**



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2003 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 23, 2003

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**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
As of June 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,150,559	\$251,382	\$26,105	\$5,837,909
Receivables:				
Taxes	1,910,971		333,367	158,225
Intergovernmental		38,496		5,016,861
Accrued Interest	7,008			
Interfund Receivable	77,000			
Income Tax	531,563			
Materials and Supplies Inventory				
Prepaid Items	19,909			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	23,745			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount in Debt Service Fund for Retirement of				
Amount to be Provided From General				
Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$3,720,755</b>	<b>\$289,878</b>	<b>\$359,472</b>	<b>\$11,012,995</b>



<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$83,332	\$31,030			\$7,380,317
				2,402,563
				5,055,357
				7,008
				77,000
				531,563
12,617				12,617
				19,909
				23,745
164,944		\$9,270,424		9,435,368
(112,797)				(112,797)
			\$54,395	54,395
			6,730,514	6,730,514
<u>\$148,096</u>	<u>\$31,030</u>	<u>\$9,270,424</u>	<u>\$6,784,909</u>	<u>\$31,617,559</u>

(Continued)

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
As of June 30, 2003  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$15,641	\$972		
Accrued Wages and Benefits	833,003	27,655		
Compensated Absences Payable	5,478			
Interfund Payable		27,000		
Intergovernmental Payable	104,468	3,445		
Deferred Revenue	1,829,510	24,337	\$305,077	\$5,157,669
Due to Students				
Capital Leases Payable				
Note Payable				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	2,788,100	83,409	305,077	5,157,669
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	68,019	24,224		192,174
Reserved for Debt Service Principal			26,105	
Reserved for Prepaid Items	19,909			
Reserved for Contributions				
Reserved for Property Taxes	185,455		28,290	17,417
Reserved for Budget Stabilization	23,745			
Unreserved, Undesignated	635,527	182,245		5,645,735
Total Fund Equity and Other Credits	932,655	206,469	54,395	5,855,326
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$3,720,755</b>	<b>\$289,878</b>	<b>\$359,472</b>	<b>\$11,012,995</b>

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

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$213				\$16,826
29,578				890,236
16,450			\$782,823	804,751
50,000				77,000
18,995			58,376	185,284
				7,316,593
	\$20,965			20,965
			170,147	170,147
			403,000	403,000
			228,000	228,000
			5,142,563	5,142,563
<u>115,236</u>	<u>20,965</u>		<u>6,784,909</u>	<u>15,255,365</u>
		\$9,270,424		9,270,424
32,860				32,860
				284,417
				26,105
				19,909
	7,014			7,014
				231,162
				23,745
	3,051			6,466,558
<u>32,860</u>	<u>10,065</u>	<u>9,270,424</u>		<u>16,362,194</u>
<u>\$148,096</u>	<u>\$31,030</u>	<u>\$9,270,424</u>	<u>\$6,784,909</u>	<u>\$31,617,559</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, 2003**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Intergovernmental	\$4,381,575	\$326,940
Interest	66,691	
Tuition and Fees	3,917	230
Rent	890	
Extracurricular Activities		210,049
Gifts and Donations	77,000	
Income Tax	1,423,031	
Property and Other Local Taxes	1,915,468	22,653
Miscellaneous	24,906	65,222
<b>Total Revenues</b>	<u>7,893,478</u>	<u>625,094</u>
<b>Expenditures:</b>		
Instruction:		
Regular	3,849,556	84,425
Special	465,092	234,406
Vocational	141,307	
Other	157,302	
Support services:		
Pupils	372,489	6,024
Instructional Staff	369,410	33,198
Board of Education	17,814	
Administration	769,609	76,170
Fiscal	368,191	3,032
Business	86,601	
Operation and Maintenance of Plant	829,570	
Pupil Transportation	441,471	
Central	155,223	28,000
Non-Instructional Services		1,032
Extracurricular activities	210,683	188,701
Capital Outlay		
Debt Service:		
Principal	88,036	
Interest	14,631	
<b>Total Expenditures</b>	<u>8,336,985</u>	<u>654,988</u>
Excess of Revenues Over (Under) Expenditures	<u>(443,507)</u>	<u>(29,894)</u>
<b>Other Financing Sources and Uses</b>		
Operating Transfers In		
Proceeds from Sale of Bonds		
Proceeds from Sale of Notes		
Other Financing Sources	7,655	3,208
Operating Transfers Out	(140,238)	
Other Financing Uses		(14,688)
<b>Total Other Financing Sources (Uses)</b>	<u>(132,583)</u>	<u>(11,480)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(576,090)	(41,374)
Fund Balance at Beginning of Year	1,508,745	247,843
<b>Fund Balance at End of Year</b>	<u><u>\$932,655</u></u>	<u><u>\$206,469</u></u>

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$17,047	\$895,355 67,049	\$81	\$5,620,917 133,821 4,147 890 210,049 79,888 1,423,031 2,263,355 92,794
183,903	141,331 2,666	2,888	
<u>200,950</u>	<u>1,106,401</u>	<u>2,969</u>	<u>9,828,892</u>
	1,174		3,935,155 699,498 141,307 157,302
	3,509		378,513 406,117 17,814
	33,880		879,659 371,223 86,601
	89,152		918,722 441,471 183,223 1,032
	457,689	2,932	402,316 457,689
52,000 158,620	5,101,000 60,532		5,241,036 233,783
<u>210,620</u>	<u>5,746,936</u>	<u>2,932</u>	<u>14,952,461</u>
<u>(9,670)</u>	<u>(4,640,535)</u>	<u>37</u>	<u>(5,123,569)</u>
64,065	5,161,532 5,101,000		64,065 5,161,532 5,101,000 10,863 (140,238) (14,688)
<u>64,065</u>	<u>10,262,532</u>		<u>10,182,534</u>
54,395	5,621,997 233,329	37 3,000	5,058,965 1,992,917
<u>\$54,395</u>	<u>\$5,855,326</u>	<u>\$3,037</u>	<u>\$7,051,882</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2003**

	<b>Governmental Fund Type</b>		
	<b>General</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Total Revenues</b>	<u>\$8,055,382</u>	<u>\$8,072,123</u>	<u>\$16,741</u>
<b>Expenditures:</b>			
Personal Services - Salaries	4,589,429	4,577,387	12,042
Employee Retirement and Health Insurance	1,604,449	1,493,280	111,169
Purchased Services	1,159,890	705,888	454,002
Supplies and Materials	339,009	333,575	5,434
Capital Outlay	473,410	433,978	39,432
Capital Outlay - Replacement	77,258	25,809	51,449
Miscellaneous	1,532,715	848,975	683,740
Other Uses of Funds	<u>357,426</u>	<u>217,238</u>	<u>140,188</u>
Total Expenditures	<u>10,133,586</u>	<u>8,636,130</u>	<u>1,497,456</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,078,204)</u>	<u>(564,007)</u>	<u>1,514,197</u>
Fund Balances at Beginning of Year	1,468,162	1,468,162	
Prior Year Encumbrances Appropriated	<u>186,488</u>	<u>186,488</u>	
<b>Fund Balance at End of Year</b>	<u><b>(\$423,554)</b></u>	<u><b>\$1,090,643</b></u>	<u><b>\$1,514,197</b></u>

**Governmental Fund Type**

<b>Special Revenue Funds</b>			<b>Debt Service Funds</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$682,466	\$676,727	(\$5,739)	\$210,620	\$236,725	\$26,105
825,935	696,180	129,755	210,620	210,620	0
(143,469)	(19,453)	124,016		26,105	26,105
222,796	222,796				
22,842	22,842				
<b>\$102,169</b>	<b>\$226,185</b>	<b>\$124,016</b>		<b>\$26,105</b>	<b>\$26,105</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, 2003  
(Continued)**

	<b>Governmental Fund Type</b>		
	<b>Capital Project Funds</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Total Revenues</b>	<u>\$10,981,223</u>	<u>\$11,362,806</u>	<u>\$381,583</u>
<b>Expenditures:</b>			
Personal Services-Salaries			
Employee Retirement and Health Insurance			
Purchased Services			
Supplies and Materials			
Capital Outlay			
Capital Outlay - Replacement			
Miscellaneous			
Other Uses of Funds			
<b>Total Expenditures</b>	<u>6,586,772</u>	<u>5,942,611</u>	<u>644,161</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>4,394,451</u>	<u>5,420,195</u>	<u>1,025,744</u>
<b>Fund Balances at Beginning of Year</b>	216,665	216,665	
<b>Prior Year Encumbrances Appropriated</b>	<u>8,875</u>	<u>8,875</u>	
<b>Fund Balance at End of Year</b>	<u><u>\$4,619,991</u></u>	<u><u>\$5,645,735</u></u>	<u><u>\$1,025,744</u></u>

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



<b>Fiduciary Fund Type</b>		
<b>Expendable Trust</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$22,762	\$2,969	(\$19,793)
32,774	2,932	29,842
(10,012)	37	10,049
3,000	3,000	
<b>(\$7,012)</b>	<b>\$3,037</b>	<b>\$10,049</b>

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balance  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>			
Tuition	\$15		\$15
Sales	290,802		290,802
Donations		\$191	191
Other Revenues	29,129		29,129
Total Operating Revenues	<u>319,946</u>	<u>191</u>	<u>320,137</u>
<b>Operating Expenses</b>			
Salaries	152,326		152,326
Fringe Benefits	79,013		79,013
Purchased Services	3,284		3,284
Materials and Supplies	235,564		235,564
Depreciation	1,190		1,190
Other	1,220	400	1,620
Total Operating Expenses	<u>472,597</u>	<u>400</u>	<u>472,997</u>
Operating Loss	<u>(152,651)</u>	<u>(209)</u>	<u>(152,860)</u>
<b>Non-Operating Revenues</b>			
Federal Donated Commodities	43,455		43,455
Federal and State Subsidies	74,070		74,070
Interest		209	209
Total Non-Operating Revenues	<u>117,525</u>	<u>209</u>	<u>117,734</u>
Loss Before Operating Transfers	(35,126)		(35,126)
Operating Transfers-In	76,173		76,173
Net Income	41,047		41,047
Retained Earnings/Fund Balances at Beginning of Year	<u>(8,187)</u>	<u>7,028</u>	<u>(1,159)</u>
<b>Retained Earnings/Fund Balances at End of Year</b>	<u><b>\$32,860</b></u>	<u><b>\$7,028</b></u>	<u><b>\$39,888</b></u>

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Combined Statement of Cash Flow  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2003**

	<u>Proprietary Fund Type</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>			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$291,107		\$291,107
Cash Received from Tuition	15		15
Other Cash Receipts	29,129	\$191	29,320
Cash Payments to Suppliers for Goods and Service	(199,209)		(199,209)
Cash Payments for Contract Services	(3,284)		(3,284)
Cash Payments for Employee Services	(153,127)		(153,127)
Cash Payments for Employee Benefits	(72,017)		(72,017)
Other Cash Payments	(1,220)	(400)	(1,620)
Net Cash Used by Operating Activities	<u>(108,606)</u>	<u>(209)</u>	<u>(108,815)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	82,813		82,813
Operating Transfer In	76,173		76,173
Net Cash Provided by Noncapital Financing Activities	<u>158,986</u>		<u>158,986</u>
Cash Flows from Investing Activities:			
Interest Received		209	209
Net Increase in Cash and Cash Equivalents	50,380		50,380
Cash and Cash Equivalents at Beginning of Year	<u>32,952</u>	<u>7,028</u>	<u>39,980</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$83,332</u></b>	<b><u>\$7,028</u></b>	<b><u>\$90,360</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, 2003  
(Continued)**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>			
Operating Loss	(\$152,651)	(\$209)	(\$152,860)
Adjustments to Reconcile Operating Loss To Net Cash Used by Operating Activities:			
Depreciation	1,190		1,190
Donated Commodities Used During the Year	43,465		43,465
Adjustments to Capital Outlay			-
Decrease in Assets:			
Accounts Receivable	305		305
Material and Supplies Inventory	4,085		4,085
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	5,077		5,077
Intergovernmental Payable	4,464		4,464
Deferred Revenue	(11,191)		(11,191)
Accounts Payable	6		6
Accrued Wages and Benefits	(3,356)		(3,356)
Total Adjustments	<u>44,045</u>		<u>44,045</u>
<b>Net Cash Used by Operating Activities</b>	<b><u>(\$108,606)</u></b>	<b><u>(\$209)</u></b>	<b><u>(\$108,815)</u></b>

**Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2003:**

Cash and Cash Equivalents - Trust and Agency Funds	\$31,030
Less: Expendable Trust Funds	(3,037)
Less: Agency Funds	<u>(20,965)</u>
<b>Cash and Cash Equivalents - Nonexpendable Trust Funds</b>	<b><u>\$7,028</u></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, 2003**

**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 459<sup>th</sup> largest in the state of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 56 classified employees, 79 certified full-time teaching personnel, and 7 administrative employees who provide services to 1,177 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 to or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Patrick Henry Local School District.

The School District is associated with six organizations, which are defined as jointly governed organizations, insurance pools, and a related organization. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Edwin Wood Memorial Library. These organizations are presented in Notes 17, 18, and 19 to the general-purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School Districts accounting policies are described below.

**A. 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 expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. The operating statements present increases (i.e., revenues) and decreases (i.e., 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. The full accrual basis of accounting is followed by the enterprise and nonexpendable trust funds.

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

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

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**Notes to the General-Purpose Financial Statements  
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Under the modified accrual basis, the following revenue sources are deemed both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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.

**B. Fund Accounting**

The 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 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 District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. GOVERNMENTAL FUNDS**

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

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General Fund - The general fund is the general operating fund of the 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 District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The 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 and trust funds).

**2. PROPRIETARY FUNDS**

Proprietary funds are used to account for the District's ongoing activities, which are similar to those often, found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund type:

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

**3. FIDUCIARY FUNDS**

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

**4. ACCOUNT GROUPS**

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



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

General Long-term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

**C. Budgetary Process**

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

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

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

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

**1. Tax Budget**

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

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

**2. Estimated Resources**

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

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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 2003.

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the object level of expenditures for the general fund and the fund level for all other funds, 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 appropriations at any legal level of control 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, several supplemental appropriation resolutions were legally enacted.

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

**4. Encumbrances**

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

**5. Lapsing of Appropriations**

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

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**D. Cash and Cash Equivalents**

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

During fiscal year 2003, investments included nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Federal agency securities are reported at fair value, which is based on quoted market prices. Mutual funds are reported at fair value, which is based on current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2003 was \$66,691, which included \$16,673 assigned from other School District funds.

For purposes of the 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, and not purchased from the pool, are reported as investments.

**E. Inventory**

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

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

**F. Prepaid Items**

Payments made to vendors for services that will benefit the periods beyond June 30, 2003 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date

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**Notes to the General-Purpose Financial Statements  
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received. The School District maintains a capitalization threshold of one thousand 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 of compensated absences is reported as a fund liability.

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

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

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**Notes to the General-Purpose Financial Statements  
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Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**K. 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.

**L. 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.

**M. Fund Balance Reserves**

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

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

**N. Estimates**

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

**O. 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.

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**3. ACCOUNTABILITY**

At June 30, 2003, the Title I, Title VI, and Title VI-R Funds had deficit fund balances of \$7,313, \$130, and \$5,746, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) All Governmental 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for the governmental fund types and expendable trust fund type (GAAP basis).
4. Although not part of the appropriated budget, the Eisenhower, Title VI-B, and Preschool Handicap special revenue funds are included as part of the reporting entity when preparing financial statements that conform to GAAP.

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$ (564,007)	\$ (19,453)	\$ 26,105	\$ 5,420,195
Adjustments for:				
Revenue Accruals	(170,990)	(48,425)	28,290	6,127
Expenditure Accruals	75,247	1,308	-	3,501
Encumbrances	83,660	25,196	-	192,174
GAAP Basis	\$ (576,090)	\$ (41,374)	\$ 54,395	\$ 5,621,997

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**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 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 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,

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provided that investments in securities described in this division are made only through eligible institutions:

6. The State Treasurer's investment pool (STAR Ohio);

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

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

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

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$2,998,788 and the bank balance was \$3,103,226. Of the bank balance, \$215,879 was covered by federal depository insurance and \$2,887,347 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Mutual funds and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Fair Value
US Government Securities	\$ 3,454,872	\$ 3,454,872
Mutual Funds		21,910
STAR Ohio		928,492
Totals		\$ 4,405,274

The classification of cash and cash equivalents and investments on the combined balance sheet 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".



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A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
	<u>                    </u>	<u>                    </u>
GASB Statement No. 9	\$ 7,404,062	\$ -
Investments:		
US Government Securities	(3,454,872)	3,454,872
Mutual Funds	(21,910)	21,910
STAR Ohio	(928,492)	928,492
GASB Statement No. 3	<u>\$ 2,998,788</u>	<u>\$ 4,405,274</u>

**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, 2003, are available to finance fiscal year 2004 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, 2003. Although total property tax collections for the next fiscal year are measurable, only

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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, 2003, was \$185,455 in the General Fund, \$28,290 in the Debt Service Fund, and \$17,417 in the Capital Projects Fund.

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 81,276,390	84%	\$ 83,992,430	84%
Public Utility	8,357,390	9%	9,399,270	9%
Tangible Personal Property	7,365,553	7%	7,332,505	7%
Total Assessed Value	\$ 96,999,333	100%	\$ 100,724,205	100%
Tax rate per \$1,000 of assessed valuation	\$34.75		\$38.41	

**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, 2003 and expires December 31, 2007. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amount for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**8. RECEIVABLES**

Receivables at June 30, 2003, 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.

**9. FIXED ASSETS**

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

Furniture and Equipment	\$ 164,944
Less: Accumulated Depreciation	(112,797)
Net Fixed Assets	\$ 52,147

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

The general fixed assets account group has been restated as of July 1, 2002 due to an increase in the capitalization threshold from \$250 to \$1000. This adjustment had the following effect on the balance previously reported in the general fixed asset account group:

	Balance 06/30/02	Adjustment	Balance 07/01/02
Land and Improvements	\$ 1,002,469	\$ (9,911)	\$ 992,558
Buildings and Improvements	4,178,073	(9,407)	4,168,666
Furniture and Equipment	2,458,806	(435,509)	2,023,297
Vehicles	869,514	-	869,514
Text and Library Books	743,162	(2,944)	740,218
<b>Total</b>	<b>\$ 9,252,024</b>	<b>\$ (457,771)</b>	<b>\$ 8,794,253</b>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 07/01/02	Additions	Reductions	Balance at 06/30/03
Land and Improvements	\$ 992,558	\$ 180,400	\$ -	\$ 1,172,958
Buildings and Improvements	4,168,666	152,645	-	4,321,311
Furniture and Equipment	2,023,297	86,837	-	2,110,134
Vehicles	869,514	56,290	-	925,804
Text and Library Books	740,218	-	-	740,218
<b>Totals</b>	<b>\$ 8,794,253</b>	<b>\$ 476,172</b>	<b>\$ -</b>	<b>\$ 9,270,425</b>

**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 2003, the School District contracted with Indiana Insurance and Nationwide Insurance for the following insurance coverage's.

Building and Contents - replacement cost (\$ 1,000 deductible)	\$22,316,952
Employee Dishonesty Bond - blanket (no deductible)	10,000
Vehicle Liability (combined single limit)	2,000,000
Medical Payments per Person	1,000/5,000
Uninsured/Underinsured Motorists	50,000
General Liability	
Per occurrence	2,000,000
Total per year	4,000,000

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

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**Notes to the General-Purpose Financial Statements  
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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.

**11. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The 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 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations for fiscal year 2003. For fiscal year 2002, 9.5 percent of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by STRS upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution for pension obligations to STRS for the fiscal years ending June 30, 2003, 2002, and 2001, were \$554,756, \$374,273, and \$355,929, respectively; 86 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003, in the amount of \$80,073, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. 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, 300 East Broad Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 8.17 percent was the portion used to fund pension obligations for fiscal year 2003. For fiscal year 2002, 5.46 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 District's contribution for pension obligations to SERS for the fiscal years ending June 30, 2003, 2002, and 2001 were \$110,547, \$65,229, and \$45,451, respectively; 60 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003, in the amount of \$44,734, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the 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, 2003, five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
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**12. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$42,674 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 5.84 percent of covered payroll. 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 2003, the minimum pay has been established at \$12,400. 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, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$96,124 during the 2003 fiscal year.

**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.

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HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
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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 thirty 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 57.5 days for certified employees. Also, classified employees receive payment for accrued, but unused personal leave to a maximum of 10 days.

**B. Other Employee Benefits**

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

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 06/30/02	Additions	Reductions	Principal Outstanding 06/30/03
Energy Conservation Loan	\$ 280,000	\$ -	\$ 52,000	\$ 228,000
Note Payable	434,000	-	31,000	403,000
OSFC Bonds Issue	-	5,142,563	-	5,142,563
Capital Lease Payable	258,183	-	88,036	170,147
Intergovernmental Payable	65,508	-	7,132	58,376
Compensated Absences	632,229	150,594	-	782,823
Total Long-Term Obligations	<u>\$ 1,669,920</u>	<u>\$ 5,293,157</u>	<u>\$ 178,168</u>	<u>\$ 6,784,909</u>

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the General Fund.

On February 10, 1997, the School District issued \$500,000 4.75 percent in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of the Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten fiscal year period with final maturity during fiscal year 2007. The debt will be retired from savings, which are anticipated from the energy conservation improvements.

The note payable is part of a Fiber Optic Network Project. The original liability for the District was \$465,000. The District paid \$31,000 in fiscal year 2003. The remaining liability is payable in annual installments of \$31,000 with final maturity in fiscal year 2016. The note is non-interest bearing.

The OSFC Bond Issue was entered into in 2002 for the amount of \$5,101,000. The bond was issued to retire notes issued for the construction of a new school building and renovation of other buildings. The bond issue includes serial, term, and capital appreciation bonds, in the amount of

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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(Continued)**

\$1,816,000, \$3,075,000, and \$210,000, respectively. The bonds carry interest rates ranging from 2 percent to 4.75 percent and with final maturity in fiscal year 2030.

The current interest term bonds maturing on December 1, 2017 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amount as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 175,000

The remaining principal amount of such current interest bonds (\$185,000) will be paid at the stated maturity on December 1, 2017.

The current interest term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amount as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 220,000

The remaining principal amount of such current interest bonds (\$230,000) will be paid at the stated maturity on December 1, 2022.

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

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

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

The current interest bonds maturing after December 1, 2012 are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 31, 2012, at 100 percent of the principal amount redeemed plus accrued interest to the date fixed for redemption.



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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(Continued)**

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2010 through 2013. The maturity amount of the bonds is \$660,000. For fiscal year 2003, \$41,563 was accreted on the capital appreciation bonds for a total outstanding bond value of \$5,142,563 at fiscal year end.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial	Term	Capital	Notes	Interest	Total
2004	\$ 66,000	\$ -	\$ -	\$ 85,000	\$ 214,991	\$ 365,991
2005	120,000	-	-	87,000	210,507	\$ 417,507
2006	125,000	-	-	89,000	205,351	\$ 419,351
2007	130,000	-	-	91,000	199,803	\$ 420,803
2008	135,000	-	-	31,000	195,128	\$ 361,128
2009-2013	305,000	-	165,000	155,000	1,260,300	\$ 1,885,300
2014-2018	335,000	360,000	45,000	93,000	986,605	\$ 1,819,605
2019-2023	600,000	450,000	-	-	664,602	\$ 1,714,602
2024-2028	-	1,320,000	-	-	387,125	\$ 1,707,125
2028-2030	-	945,000	-	-	68,757	1,013,757
	<u>\$ 1,816,000</u>	<u>\$ 3,075,000</u>	<u>\$ 210,000</u>	<u>\$ 631,000</u>	<u>\$ 4,393,169</u>	<u>\$ 10,125,169</u>

The School District's voted legal debt margin was \$3,964,178 with an unvoted debt margin of \$100,724 at June 30, 2003.

**15. CAPITALIZED LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized leases for equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one, which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Non-Instructional Services" and "Inception of Capital Lease" in the funds, which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the combined financial statements for governmental funds. These expenditures are reported as function expenditures on the budgetary statements. The equipment acquired by lease has been capitalized in the general fixed assets account group, in the amount of \$266,743. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments were made in fiscal year 2003, in the amount of \$88,036.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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(Continued)**

Fiscal Year Ending June 30,	GLTDAG
2004	\$ 102,667
2005	78,756
Total	181,423
Less: Amount Representing Interest	11,276
Present Value of Net Minimum Lease Payments	\$ 170,147

**16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2003.

	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$ 279,271	\$ 40,660	\$ 15	\$ 319,946
Operating Expenses less Depreciation	(421,393)	(49,722)	(292)	(471,407)
Depreciation Expense	(1,190)			(1,190)
Operating Loss	(143,312)	(9,062)	(277)	(152,651)
Donated Commodities	43,455			43,455
Grants	74,070			74,070
Operating Transfer In	76,173			76,173
Net Income (Loss)	50,386	(9,062)	(277)	41,047
Net Working Capital	(4,274)	1,186	251	(2,837)
Total Assets	146,659	1,186	251	148,096
Total Liabilities	115,236			115,236
Total Equity	31,423	1,186	251	32,860

**17. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Northern Buckeye Education Council governs NWOCA and its participating members. In fiscal year 2003, Patrick Henry Local School District contributed \$96,008 to NWOCA. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during this fiscal year were \$3,000. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

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

**18. 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 2003, Patrick Henry Local School District contributed \$719,791, which represents 5 percent of total contributions. 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 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, \$897 in fiscal year 2003, to the Plan to cover the costs of administering the program.

**19. RELATED ORGANIZATION**

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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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.

**20. 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, 2003.

**B. Litigation**

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

**21. 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. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2003, only the unspent portion of certain workers' compensation refunds continues to be set-aside at fiscal year end.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2002	\$ (337,607)	\$ -	\$ 23,745
Current Year Set-aside Requirement	160,123	160,123	-
Current Year Offsets	-	(135,204)	-
Qualifying Disbursements	<u>(356,508)</u>	<u>(24,919)</u>	-
Amount Carried Forward To Fiscal Year 2004	<u>\$ (533,992)</u>	<u>\$ -</u>	<u>\$ 23,745</u>
Set-Aside Cash Balance as of June 30, 2003			<u>\$ 23,745</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

The District had qualifying expenditures during the fiscal year that reduced the textbooks set-aside amount below zero. This amount may be used to reduce the set-aside requirement in future fiscal years.

**22. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**23. INTERFUND TRANSACTIONS**

Transfers for the fiscal year ended June 30, 2003 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 140,238
Debt Service Fund		
Energy Conservation Debt Fund	64,065	-
Enterprise Fund - Food Service	76,173	-
Total Transfers	\$ 140,238	\$ 140,238

The District had the following interfund receivables and payables outstanding at June 30, 2003:

	Interfund Receivable	Interfund Payable
General Fund	\$ 77,000	\$ -
Special Revenue Funds:		
Title I	-	21,000
Title II A	-	6,000
Enterprise Fund	-	50,000
Total	\$ 77,000	\$ 77,000

**24. SUBSEQUENT EVENTS**

During fiscal year 2004 the District entered into contracts totaling \$6,763,384 for construction of a new middle school and \$238,790 for renovations of the Deshler Elementary building.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT 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 the Patrick Henry Local School District, Henry County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 23, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 23, 2003.

#### **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 December 23, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 23, 2003



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2002-10135-001	<b>ORC § 5705.10</b> deficit fund cash balances	No	Some improvement has been made reducing this to a management letter comment.
2002-10135-002	<b>ORC § 5705.39</b> appropriations exceeded estimated revenue	No	Some improvement has been made reducing this to a management letter comment.

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**Auditor of State  
Betty Montgomery**

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**PATRICK HENRY LOCAL SCHOOL DISTRICT**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 22, 2004**