



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

Board of Education
Patrick Henry Local School District
6900 State Route 18
Hamler, Ohio 43524

We have reviewed the *Independent Auditor's Report* of the Patrick Henry Local School District, Henry County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 2, 2012

This page intentionally left blank.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non –GAAP Basis) and Actual, General Fund.....	15
Statement of Fiduciary Net Assets – Fiduciary Funds	16
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	17
Notes to the Basic Financial Statements	18
Schedule of Federal Awards Receipts and Expenditures.....	44
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	45
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	46
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	48
Schedule of Findings OMB Circular A-133 Section §.505.....	50
Schedule of Prior Audit Findings OMB Circular A-133 §.315.....	52
Independent Auditor’s Report on Applying Agreed Upon Procedures	53

This page intentionally left blank.



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

Independent Auditor's Report

Members of the Board of Education
Patrick Henry Local School District
6900 State Route 18
Hamler, Ohio 43524

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Patrick Henry Local School District, Henry County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Patrick Henry Local School District, Henry County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*.



Balestra, Harr & Scherer, CPAs, Inc.
January 25, 2012

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For Fiscal Year Ended June 30, 2011

Unaudited

The discussion and analysis of the financial performance of Patrick Henry Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets decreased \$51,953.
- General revenues accounted for \$9,872,025, or 84 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants accounted for \$1,933,424 or 16 percent of total revenues of \$11,805,449.
- The District's major funds include the General Fund. The General Fund had \$9,560,132 in revenues and other financing sources and \$9,661,185 in expenditures and other financing uses. The General Fund's balance decreased \$101,053 from the prior fiscal year.

Using the Basic Financial Statements

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

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

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

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

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For Fiscal Year Ended June 30, 2011

Unaudited

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

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

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

Reporting the District's Most Significant Funds

Funds Fund Financial Statements

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

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

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For Fiscal Year Ended June 30, 2011

Unaudited

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2011.

Table 1 Net Assets <u>Governmental Activities</u>			
<u>Assets</u>	<u>2011</u>	<u>2010</u>	
Current and Other Assets	\$ 8,170,861	\$ 8,106,001	
Capital Assets, Net	<u>14,851,040</u>	<u>15,203,853</u>	
Total Assets	<u>23,021,901</u>	<u>23,309,854</u>	
 <u>Liabilities</u>			
Current and Other Liabilities	5,713,775	5,690,754	
Long-Term Liabilities	<u>6,074,409</u>	<u>6,333,430</u>	
Total Liabilities	<u>11,788,184</u>	<u>12,024,184</u>	
 <u>Net Assets</u>			
Invested in Capital Assets, Net of Related Restricted	9,597,588	9,782,655	
Unrestricted	1,421,579	1,322,127	
	<u>214,550</u>	<u>180,888</u>	
Total	<u>\$ 11,233,717</u>	<u>\$ 11,285,670</u>	

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

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

Table 2 Change in Net Assets <u>Governmental Activities</u>			
<u>Receipts</u>	<u>2011</u>	<u>2010</u>	
<u>Program Receipts:</u>			
Charges for Services and Sales	\$ 946,230	\$ 944,748	
Operating Grants, Contributions and Interest	<u>987,194</u>	<u>1,402,217</u>	
Total Program Revenues	<u>1,933,424</u>	<u>2,346,965</u>	
<u>General receipts:</u>			
Property Taxes	2,709,693	2,637,445	
Income Taxes	1,741,085	1,672,779	
Grants and Entitlements	5,282,172	5,297,389	
Gifts and Donations	500	500	
Investment Earnings	9,701	10,262	
Miscellaneous	128,874	151,767	
Proceeds from Sale of Capital Assets	<u>-</u>	<u>8,215</u>	
Total General Receipts	<u>9,872,025</u>	<u>9,778,357</u>	
 Total Revenues	 11,805,449	 12,125,322	

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2011
Unaudited**

<u>Disbursements</u>	<u>2011</u>	<u>2010</u>
Instruction	\$ 6,230,365	\$ 6,827,751
Support Services:		
Pupils	476,831	518,235
Instructional Staff	586,789	666,067
Board of Education	32,335	31,837
Administration	1,042,479	1,034,322
Fiscal	369,641	366,339
Business	144,158	136,377
Operation and Maintenance of Plant	925,675	901,783
Pupil Transportation	537,184	554,345
Central	193,787	239,252
Operation of Non-Instructional	468,372	467,342
Extracurricular Activities	447,948	465,916
Capital Outlay	90,337	41,969
Interest and Fiscal Charges	<u>311,501</u>	<u>196,481</u>
Total Disbursements	<u>11,857,402</u>	<u>12,448,016</u>
Increase/(Decrease) in Net Assets	<u>\$ (51,953)</u>	<u>\$ (332,694)</u>

Governmental Activities

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

Table 3
Governmental Activities—Cash Basis

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Instruction	\$ 6,230,365	\$ 6,827,751	\$ 5,350,421	\$ 5,497,803
Support Services:				
Pupils	476,831	518,235	471,831	513,235
Instructional Staff	586,789	666,067	584,387	665,133
Board of Education	32,335	31,837	32,335	31,837
Administration	1,042,479	1,034,322	988,777	966,717
Fiscal	369,641	366,339	369,641	366,339
Business	144,158	136,377	144,158	136,377
Operation and Maintenance of Plant	925,675	901,783	533,936	588,400
Pupil Transportation	537,184	554,345	530,041	550,756
Central	193,787	239,252	184,687	230,107
Operation of Non-Instructional	468,372	467,342	29,118	(7,994)
Extracurricular Activities	447,948	465,916	302,808	323,891
Capital Outlay	90,337	41,969	90,337	41,969
Interest and Fiscal Charges	<u>311,501</u>	<u>196,481</u>	<u>311,501</u>	<u>196,481</u>
Total Expenses	<u>\$ 11,857,402</u>	<u>\$ 12,448,016</u>	<u>\$ 9,923,978</u>	<u>\$ 10,101,051</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For Fiscal Year Ended June 30, 2011

Unaudited

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 86 percent of instruction activities is supported through taxes and other general revenues. For all governmental activities, support from general revenues is 84 percent. The remaining 16 percent is derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental fund is the General Fund. Total governmental funds had revenues and other sources of \$11,977,224 and expenditures and other uses of \$11,825,184. The net positive change of \$152,040 in fund balance for the year indicates that the District met current costs with current revenues.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2011, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$10,394,999 while actual expenditures were \$9,719,763. The \$675,236 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$14,851,040 invested in capital assets (net of accumulated depreciation) for governmental activities.

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

Debt

At June 30, 2011, the District had \$4,699,929 in school improvement general obligation bonds for construction and building improvements. The bonds were issued in the amount of \$5,101,000 for a twenty-eight year period, with final maturity on December 1, 2030. The bonds are being retired through the Bond Retirement Debt Service Fund. The District also has \$498,667 owed on a \$589,334 energy conservation note that will mature on December 1, 2021 and General Obligation notes outstanding of \$186,000, which matures during fiscal year 2016.

At June 30, 2011, the District's overall legal debt margin was \$5,350,163, with an un-voted debt margin of \$108,377. For further information regarding the District's debt, see Note 15.

Current Issues

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For Fiscal Year Ended June 30, 2011

Unaudited

The District is currently operating in the second year of the state biennium budget. 46.7 percent of District revenue sources are from local funds, 47.2 percent is from state funds, and the remaining 6.1 percent is from federal funds. The total expenditure per pupil was calculated at \$9,284.

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

Contacting the District's Financial Management

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

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities
ASSETS	
Equity in pooled cash and cash equivalents	\$ 2,545,884
Materials and supplies inventory	6,434
Accrued interest receivable	399
Accounts receivable	193
Intergovernmental receivable	70,631
Taxes receivable	4,749,609
Income taxes receivable	719,728
Unamortized financing costs	77,983
Non-depreciable capital assets	592,870
Depreciable capital assets, net	<u>14,258,170</u>
Total assets	<u>23,021,901</u>
LIABILITIES	
Accounts payable	146
Accrued wages and benefits	1,018,070
Intergovernmental payable	192,637
Accrued interest payable	22,435
Matured compensated absences payable	83,541
Deferred revenue	4,396,946
Long-Term Liabilities	
Due within one year	141,333
Due in more than one year	<u>5,933,076</u>
Total liabilities	<u>11,788,184</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,597,588
Restricted for debt service	296,168
Restricted for capital outlay	272,067
Restricted for other purposes	829,599
Restricted for set asides	23,745
Unrestricted	<u>214,550</u>
Total net assets	<u><u>\$ 11,233,717</u></u>

See the accompanying notes to the basic financial statements.

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

		Program Receipts		Net (Expenses) Revenue Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Total
Governmental Activities:				
Instruction				
Regular	\$ 4,542,615	\$ 506,008	\$ 51,862	\$ (3,984,745)
Special	1,209,337	-	317,402	(891,935)
Vocational	8,394	-	4,672	(3,722)
Student Intervention Services	225	-	-	(225)
Other	469,794	-	-	(469,794)
Support Services				
Pupil	476,831	-	5,000	(471,831)
Instructional staff	586,789	-	2,402	(584,387)
Board of education	32,335	-	-	(32,335)
Administration	1,042,479	53,702	-	(988,777)
Fiscal	369,641	-	-	(369,641)
Business	144,158	-	-	(144,158)
Operation and maintenance of plant	925,675	-	391,739	(533,936)
Pupil transportation	537,184	-	7,143	(530,041)
Central	193,787	-	9,100	(184,687)
Operation of non-instructional services	468,372	241,380	197,874	(29,118)
Extracurricular activities	447,948	145,140	-	(302,808)
Capital outlay	90,337	-	-	(90,337)
Deb Service				
Interest and fiscal charges	311,501	-	-	(311,501)
Total governmental activities	<u>\$ 11,857,402</u>	<u>\$ 946,230</u>	<u>\$ 987,194</u>	<u>\$ (9,923,978)</u>

General Revenues:

Taxes:	
Property taxes, levied for general purposes	2,171,554
Property taxes, levied for capital outlay	174,006
Property taxes, levied for debt service	309,837
Property taxes, levied for other	54,296
Income taxes	1,741,085
Grants and entitlements not restricted to specific progra	5,282,172
Gifts and donations not restricted to specific programs	500
Investment earnings	9,701
Miscellaneous	128,874
Total general revenues	<u>9,872,025</u>
Change in net assets	(51,953)
Net assets at beginning of year	11,285,670
Net assets at end of year	<u>\$ 11,233,717</u>

See the accompanying notes to the basic financial statements.

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Current assets:			
Equity in pooled in cash and cash equivalents	\$ 1,099,649	\$ 1,422,490	\$ 2,522,139
Materials and supplies inventory	-	6,434	6,434
Accrued interest receivable	399	-	399
Accounts receivable	168	25	193
Interfund receivable	50,000	-	50,000
Intergovernmental receivable	-	70,631	70,631
Taxes receivable	4,177,292	572,317	4,749,609
Income taxes receivable	719,728	-	719,728
Restricted assets:			
Equity in pooled in cash and cash equivalents	<u>23,745</u>	<u>-</u>	<u>23,745</u>
Total assets	<u>\$ 6,070,981</u>	<u>\$ 2,071,897</u>	<u>\$ 8,142,878</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ -	\$ 146	\$ 146
Accrued wages and benefits	958,068	60,002	1,018,070
Interfund payable	-	50,000	50,000
Intergovernmental payable	177,284	15,353	192,637
Matured compensated absences payable	83,541	-	83,541
Deferred revenue	<u>4,113,665</u>	<u>559,006</u>	<u>4,672,671</u>
Total liabilities	<u>5,332,558</u>	<u>684,507</u>	<u>6,017,065</u>
Fund Balances			
Nonspendable	-	6,434	6,434
Restricted	23,745	1,397,321	1,421,066
Assigned	279,304	-	279,304
Unassigned	<u>435,374</u>	<u>(16,365)</u>	<u>419,009</u>
Total fund balances	<u>738,423</u>	<u>1,387,390</u>	<u>2,125,813</u>
Total liabilities and fund balances	<u>\$ 6,070,981</u>	<u>\$ 2,071,897</u>	<u>\$ 8,142,878</u>

See the accompanying notes to the basic financial statements.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
June 30, 2011**

Total governmental fund balances		\$ 2,125,813
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		14,851,040
Taxes receivable that do not provide financial resources are not reported as revenues in governmental fund.		275,725
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued interest payable	(22,435)	
General obligation bonds payable	(4,699,929)	
Unamortized financing cost	77,983	
Notes payable	(684,667)	
Compensated absences payable	(689,813)	
		(6,018,861)
Net assets of governmental activities		<u>\$ 11,233,717</u>

See the accompanying notes to the basic financial statements.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and other local taxes	\$ 2,156,117	\$ 535,180	\$ 2,691,297
Income tax	1,735,795	-	1,735,795
Intergovernmental	5,071,236	1,324,322	6,395,558
Interest	8,991	710	9,701
Tuition and fees	506,008	-	506,008
Extracurricular activities	53,702	145,140	198,842
Gifts and donations	-	500	500
Customer sales and services	-	241,380	241,380
Miscellaneous	28,014	100,231	128,245
Total revenues	<u>9,559,863</u>	<u>2,347,463</u>	<u>11,907,326</u>
Expenditures			
Current:			
Instruction:			
Regular	4,338,177	62,759	4,400,936
Special	796,183	398,577	1,194,760
Vocational	7,018	-	7,018
Student intervention services	225	-	225
Other	464,920	4,874	469,794
Support services:			
Pupils	464,593	5,600	470,193
Instructional staff	523,783	44,290	568,073
Board of education	19,141	13,194	32,335
Administration	1,022,869	32,263	1,055,132
Fiscal	369,281	-	369,281
Business	143,447	-	143,447
Operation and maintenance of plant	476,584	451,162	927,746
Pupil transportation	489,480	38,500	527,980
Central	111,891	78,599	190,490
Operation of non-instructional services	3,261	454,307	457,568
Extracurricular activities	234,826	198,199	433,025
Capital outlay	6,012	-	6,012
Debt service:			
Principal	116,439	115,334	231,773
Interest	3,786	266,341	270,127
Total expenditures	<u>9,591,916</u>	<u>2,163,999</u>	<u>11,755,915</u>
Excess of revenues over (under) expenditures	<u>(32,053)</u>	<u>183,464</u>	<u>151,411</u>
OTHER FINANCING SOURCES AND USES			
Transfers in	-	69,269	69,269
Refund of Prior Year Expenditures	269	360	629
Transfers out	(69,269)	-	(69,269)
Total other financing sources and uses	<u>(69,000)</u>	<u>69,629</u>	<u>629</u>
Net change in fund balances	(101,053)	253,093	152,040
Fund balance at beginning of year (as restated, see note 3)	839,476	1,134,297	1,973,773
Fund balance at end of year	<u>\$ 738,423</u>	<u>\$ 1,387,390</u>	<u>\$ 2,125,813</u>

See the accompanying notes to the basic financial statements.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Net change in fund balances - total governmental funds		\$ 152,040
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.		
Capital outlay - depreciable capital assets	141,478	
Depreciation	(494,291)	(352,813)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Intergovernmental	(126,192)	
Income taxes	5,290	
Delinquent property taxes	18,396	(102,506)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		231,773
Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:		
Interest and fiscal charges	(41,374)	
Compensated absences payable	60,927	19,553
Change in net assets of governmental activities		\$ (51,953)

See the accompanying notes to the basic financial statements.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND**

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property and other local taxes	\$ 2,306,629	\$ 2,306,629	\$ 2,251,386	\$ (55,243)
Income tax	1,701,516	1,701,516	1,694,233	(7,283)
Intergovernmental	5,334,122	5,334,122	5,071,237	(262,885)
Interest	11,183	11,183	9,436	(1,747)
Tuition and fees	481,740	481,740	506,007	24,267
Rent	-	-	-	-
Miscellaneous	<u>2,509</u>	<u>2,509</u>	<u>2,687</u>	<u>178</u>
Total revenues	<u>9,837,699</u>	<u>9,837,699</u>	<u>9,534,986</u>	<u>(302,713)</u>
Expenditures				
Current:				
Instruction:				
Regular	4,795,316	4,554,847	4,402,887	151,960
Special	835,572	965,567	796,345	169,222
Vocational	52,007	2,269	24,373	(22,104)
Student intervention services	-	550	875	(325)
Other	431,482	430,282	464,920	(34,638)
Support services:				-
Pupils	476,492	493,245	464,399	28,846
Instructional staff	609,640	611,118	560,497	50,621
Board of education	47,054	47,054	19,525	27,529
Administration	998,657	1,039,194	924,494	114,700
Fiscal	358,153	380,640	371,240	9,400
Business	125,089	125,089	144,629	(19,540)
Operation and maintenance of plant	814,128	776,130	564,238	211,892
Pupil transportation	667,443	631,570	598,663	32,907
Central	118,442	119,492	145,134	(25,642)
Operation of non-instructional services:	-	-	3,261	(3,261)
Extracurricular activities	213,952	213,952	228,271	(14,319)
Capital outlay	<u>54,166</u>	<u>4,000</u>	<u>6,012</u>	<u>(2,012)</u>
Total expenditures	<u>10,597,593</u>	<u>10,394,999</u>	<u>9,719,763</u>	<u>675,236</u>
Excess of revenues over (under) expenditure	<u>(759,894)</u>	<u>(557,300)</u>	<u>(184,777)</u>	<u>372,523</u>
OTHER FINANCING SOURCES AND USES				
Refund of prior year expenditure:	5,326	5,326	98	(5,228)
Proceeds from sale of capital assets	8,215	8,215	-	(8,215)
Transfers out	(71,264)	(69,269)	(69,269)	-
Advances in	10,000	10,000	-	(10,000)
Advances out	<u>(20,000)</u>	<u>(55,731)</u>	<u>(50,000)</u>	<u>5,731</u>
Total Other Financing Sources and Uses	<u>(67,723)</u>	<u>(101,459)</u>	<u>(119,171)</u>	<u>(17,712)</u>
Net change in fund balances:	(827,617)	(658,759)	(303,948)	354,811
Fund balance (deficit) at beginning of year	828,532	828,532	828,532	-
Prior year encumbrances appropriated	323,511	323,511	323,511	-
Fund balance (deficit) at end of year	<u>\$ 324,426</u>	<u>\$ 493,284</u>	<u>\$ 848,095</u>	<u>\$ 354,811</u>

See the accompanying notes to the basic financial statements.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011**

	Private Purpose Trust	Agency Fund
Assets		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 10,317	\$ 42,691
Total assets	10,317	42,691
Liabilities		
Current liabilities:		
Undistributed monies	-	42,691
Total liabilities	-	42,691
Net Assets		
Held in trust for scholarships	10,317	-
Total net assets	\$ 10,317	\$ -

See the accompanying notes to the basic financial statements.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2011**

	Private Purpose Trust
ADDITIONS	
Gifts and contributions	\$ 3,959
Interest	<u>8</u>
Total additions	<u>3,967</u>
DEDUCTIONS	
Payments in accordance with trust agreements	<u>3,863</u>
Total deductions	<u>3,863</u>
Change in net assets	104
Net assets at beginning of year	<u>10,213</u>
Net assets at end of year	<u><u>\$ 10,317</u></u>

See the accompanying notes to the basic financial statements.

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Patrick Henry Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Patrick Henry Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 48 non-certified and 75 certified full-time teaching personnel who provide services to 1,036 students and other community members.

The Reporting Entity

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

General Fund – The General Fund is used to account for and report all financial resources, not accounted for in another fund. The General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

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

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

F. Cash and Investments

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

During fiscal year 2011, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2011.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. During fiscal year 2011, interest revenue was credited in the amount of \$8,991 to the General Fund and \$710 to Other Governmental Funds.

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

G. Restricted Assets

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

H. Capital Assets

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

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Land improvements	15 – 30 years
Buildings and building improvements	30 – 50 years
Furniture and fixtures	5 – 20 years
Vehicles	5 – 15 years
Equipment	10 years
Textbooks	10 years

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

J. Accrued Liabilities and long-Term Obligations

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Net Assets

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

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

The District reports \$1,421,579 of restricted net assets on its statement of net assets.

L. Fund Balances

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

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

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

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

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

M. Interfund Activity

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

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

N. Estimates

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

O. Pass-Through Grants

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

P. Inventory

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

Q. Bond Premiums/Issuance Costs, Interest on Capital Appreciation Bonds/Loss on Refunding

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

A. Change in accounting principles

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and GASB Statement No. 59 “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a governmental is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the District’s financial statements.

GASB Statement No. 59 improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice, by improving the consistency of measurements and by providing clarification of existing standards. The implementation of GASB Statement No. 59 did not have any effect on the District’s financial statements.

B. Restatement of Prior Year Fund Balance

	General Fund	All Other Governmental Funds
Fund balance at June 30, 2010	\$ 780,840	\$ 1,192,933
Change in fund structure (GASB 54)	58,636	(58,636)
Adjusted fund balance at June 30, 2010	\$ 839,476	\$ 1,134,297

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

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

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

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	\$ (101,053)
<u>Increase (decrease) due to:</u>	
Revenue Accruals:	
Accrued FY 2010, Received in cash FY 2011	837,928
Accrued FY 2011, not yet received in cash	(783,754)
Expenditure Accruals:	
Accrued FY, paid in cash FY 2011	(1,209,138)
Accrued FY 2011, not yet paid in cash	1,222,927
Advances Net:	
Encumbrances outstanding at year end (budget basis)	(50,000)
	(220,858)
Budget Basis	\$ (303,948)

NOTE 5 – FUND BALANCES

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5 – FUND BALANCES (CONTINUED)

<u>Fund Balances</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable			
Inventory	\$ -	\$ 6,434	\$ 6,434
Total nonspendable	<u>-</u>	<u>6,434</u>	<u>6,434</u>
Restricted for:			
Debt payment	-	358,151	358,151
Food service operations	-	167,871	167,871
Budget stabilization	23,745	-	23,745
Adult education	-	251	251
Classroom facilities maintenance	-	430,548	430,548
District managed activities	-	143,600	143,600
Capital projects	-	264,522	264,522
Local grants	-	24	24
State grants	-	2,000	2,000
Federal grants	-	30,354	30,354
Total restricted	<u>23,745</u>	<u>1,397,321</u>	<u>1,421,066</u>
Committed to:			
Severance pay	-	-	-
Total committed	<u>-</u>	<u>-</u>	<u>-</u>
Assigned to:			
Public school support	58,636	-	58,636
Other purposes	220,668	-	220,668
Total assigned	<u>279,304</u>	<u>-</u>	<u>279,304</u>
Unassigned	435,374	(16,365)	419,009
Total fund balances	<u>\$ 738,423</u>	<u>\$ 1,387,390</u>	<u>\$ 2,125,813</u>

NOTE 6– DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligations or security issued by the United States Treasury, or any other obligations guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The States Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the government's deposits may not be returned to it. At June 30, 2011, the carrying amount of the District's cash deposits was \$2,091,305 and the bank balance was \$2,148,372. At June 30, 2011, \$522,422 of the bank balance was insured by the FDIC. The remaining balance was covered by a 105 percent public depository pool, which was collateralized with securities held by pledging financial institution trust department but not in the District's name. Although all State statutory requirements for the deposit of money have been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

As of June 30, 2011, the District had \$507,587 invested in STAR Ohio.

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Interest rate risk

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

C. Credit Risk

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

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes for 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for calendar year 2011 were levied after April 1, 2010, on the assessed values as of December 31, 2009, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 12, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – PROPERTY TAXES (CONTINUED)

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

The District receives property taxes from Henry, Putnam, and Wood Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2011 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2011, was \$186,264 in the General Fund, \$30,285 in the Bond Retirement Debt Service Fund, \$14,535 in the Capital Projects Fund, and \$49 in the Special Revenue Fund. The amount available as an advance at June 30, 2010, was \$281,533 in the General Fund, \$39,973 in the Bond Retirement Debt Service Fund, and \$20,964 in the Capital Projects Fund and \$46 in the Special Revenue Fund.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half		2011 First Half	
	Contributions		Contributions	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential	\$ 96,014,180	89%	\$ 97,036,070	90%
Industrial/commercial	9,000,710	8%	8,120,170	7%
Public Utility	3,156,940	3%	3,217,620	3%
Tangible personal	<u>301,210</u>	<u>0%</u>	<u>3,070</u>	<u>0%</u>
Total assessed value	<u>\$ 108,473,040</u>	<u>\$ 100%</u>	<u>\$ 108,376,930</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 44.51</u>		<u>\$ 41.31</u>	

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 8 – INCOME TAXES

The District levies a voted tax of one and three-fourths percent for general operations on the income of residents and of estates. The one-percent tax was effective January 1, 1989, and is for a continuing period. The three-fourths percent tax was effective January 1, 2003 and expired December 31, 2007. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding the amount for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 9 – RECEIVABLES

Receivables at June 30, 2011, consisted of property, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

Net Change in Fund Balance	
Major Governmental Fund	
<hr/>	
Governmental Activities:	
Idea B	\$ 6,972
Tech Prep	3,828
Title I	42,072
Title IV	505
Title II-A	<u>17,254</u>
Total intergovernmental receivables	<u><u>\$ 70,631</u></u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance at 6/30/10</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance At 06/30/11</u>
Non-depreciable capital assets	\$ 592,870	\$ -	\$ -	\$ 592,870
Depreciable capital assets				
Land improvements	686,824	18,463	-	705,287
Buildings and building improvements	17,222,304	53,386	-	17,275,690
Furniture, fixtures, and equipment	3,285,978	18,182	-	3,304,160
Vehicles	1,298,833	38,500	-	1,337,333
Books	803,774	12,947	-	816,721
Total depreciable capital assets	<u>23,297,713</u>	<u>141,478</u>	<u>-</u>	<u>23,439,191</u>
Land improvements	459,806	16,861	-	476,667
Buildings and building improvements	4,192,878	320,706	-	4,513,584
Furniture, fixtures, and equipment	2,526,466	89,553	-	2,616,019
Vehicles	810,166	61,265	-	871,431
Books	697,414	5,906	-	703,320
Total accumulated depreciation	<u>8,686,730</u>	<u>494,291</u>	<u>-</u>	<u>9,181,021</u>
Depreciable capital assets, net	<u>14,610,983</u>	<u>(352,813)</u>	<u>-</u>	<u>14,258,170</u>
Governmental activities capital Assets, net	<u>\$ 15,203,853</u>	<u>\$ (352,813)</u>	<u>\$ -</u>	<u>\$ 14,851,040</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 212,581
Special	11,457
Vocational	1,376
Support Services:	
Pupil	2,099
Instructional staff	24,985
Administration	11,521
Fiscal	197
Operation and maintenance of plant	73,913
Pupil transportation	45,421
Non-instructional services	8,317
Extracurricular	18,099
Capital outlay	84,325
Total depreciation expense	<u>\$ 494,291</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District contracted with the Schools of the Ohio Risk Sharing Authority for the following insurance coverage.

Building and contents – replacement cost	\$ 39,723,136
Inland Marine coverage (included in building and contents)	250,000
Employee dishonesty bond – blanket	100,000
Vehicle liability (combined single limit)	12,000,000
Medical payments per person	5,000/125,000
Uninsured/underinsured motorists	1,000,000
General liability	
Per occurrence	12,000,000
Total per year	14,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. During fiscal year 2011, the District reviewed its insurance needs and adjusted coverage as deemed appropriate.

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including health, dental, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs. See Note 18 for additional information on the program.

The District participates in the Northern Buckeye Education Council Workers’ Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers’ compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan’s selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers’ compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. See Note 18 for additional information on the plan.

NOTE 12 – DEFINED PENSION BENEFIT PLANS

A. School Employee Retirement System

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

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 12 – DEFINED PENSION BENEFIT PLANS (CONTINUED)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$200,933, \$139,232, and \$126,593, respectively; 73 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. The unpaid contribution or fiscal year 2011 is \$65,295.

B. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 12 – DEFINED PENSION BENEFIT PLANS (CONTINUED)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$543,836, \$575,802, and \$546,652 respectively; 86 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. The unpaid contribution for fiscal year 2011 is \$84,068.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, five members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 13 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set up forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohiosers.org, under *Employers/Audit Resources*.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 13 – POSTEMPLOYMENT BENEFITS (CONTINUED)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$44,907, \$63,422 and \$57,768, respectively; 73 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$12,931, \$11,434 and \$9,121, respectively; 73 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$47,290, \$44,292 and \$42,050 respectively; 86 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 14 – EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for classified and 244 for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 57.5 days for classified employees and for one-fourth of accrued, but unused sick leave credit to a maximum of 61 days for certified employees. Also, classified employees can accumulate 40 personal days and receive payment for twenty percent of accrued, but unused personal leave to a maximum of 10 days. Personal day accumulation is not applicable to classified employees hired after June 30, 2002.

B. Other Employee Benefits

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 15 – LONG-TERM OBLIGATIONS

During the year ended June 30, 2011, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	<u>Balance at 6/30/2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 6/30/2011</u>	<u>Amount Due in one Year</u>
General Obligation Bonds:					
Series 2002					
Serial 2%-4.75%	\$ 210,000	\$ -	\$ 60,000	\$ 150,000	\$ 55,000
Series 2007-Refunding Bonds					
Serial 4%	1,725,000	25,000	10,000	1,740,000	-
Term 3.65%-4.125%	1,690,000	-	25,000	1,665,000	10,000
Capital Appreciation 4%-4.18%	500,000	-	-	500,000	-
Accretion on Capital Appreciation Bonds	387,104	40,910	-	428,014	-
Unamortized Loss on Refunding	(11,230)	362	-	(10,868)	-
Unamortized Premium on Refunding	235,376	-	7,593	227,783	-
Total Bonds	<u>\$ 4,736,250</u>	<u>\$ 66,272</u>	<u>\$ 102,593</u>	<u>\$ 4,699,929</u>	<u>\$ 65,000</u>
Note Payable	217,000	-	31,000	186,000	31,000
Energy Conservation Loan	544,001	-	45,334	498,667	45,333
Lease Purchase Agreement	85,439	-	85,439	-	-
Compensated Absences	750,740	689,813	750,740	689,813	-
Total Long-Term Obligations	<u>6,333,430</u>	<u>756,085</u>	<u>1,015,106</u>	<u>6,074,409</u>	<u>141,333</u>

A reclassification of principal paid was made from the Series 2007 Serial Bond to the Series 2007 Term Bond in the amount of \$25,000.

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. In 2007 \$4,010,000 in bonds were refunded. The 2002 bond issue included serial, term and capital appreciation bonds, in the amount of \$1,816,000, \$3,075,000, and \$210,000, respectively. The bonds carry interest rates ranging from 2 percent to 4.75 percent and with a final maturity in fiscal year 2030.

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

The current interest bonds maturing after December 1, 2012 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after December 31, 2012, at 100 percent of the principal amount redeemed plus accrued interest to the date fixed for redemption. The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2017 through 2021. The maturity amount of the bonds is \$1,255,000. For fiscal year 2011, \$40,910 was accreted on the capital appreciation bonds for a total outstanding bond value of \$4,483,014 at fiscal year-end.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 15 – LONG-TERM OBLIGATIONS (CONTINUED)

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 2011. 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 Energy Conservation notes were issued in 2008 for \$680,000. The interest rate on the notes is 4.4 percent. The final maturity of this issuance is June 1, 2022.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			
	Serial Principal	Term Principal	Capital Appreciation Principal	Total Interest
2012	\$ 55,000	\$ 10,000	\$ -	\$ 247,223
2013	50,000	25,000	-	251,858
2014	45,000	30,000	-	255,945
2015	200,000	-	-	134,850
2016	225,000	-	-	126,850
2017-2021	-	-	500,000	1,344,250
2022-2026	1,315,000	-	-	487,650
2027-2031	-	1,600,000	-	202,438
Totals	<u>\$ 1,890,000</u>	<u>\$ 1,665,000</u>	<u>\$ 500,000</u>	<u>\$ 3,051,064</u>

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

Fiscal Year Ending June 30,	Energy Conservation HB264 Loans			Note Payable	
	Principal	Interest	Total	Principal	Interest
2012	\$ 45,333	\$ 22,001	\$ 67,334	\$ 31,000	\$ -
2013	45,333	19,947	65,280	31,000	-
2014	45,333	17,952	63,285	31,000	-
2015	45,333	15,957	61,290	31,000	-
2016	45,333	14,001	59,334	31,000	-
2017-2021	226,668	39,910	266,578	31,000	-
2022-2026	45,334	1,995	47,329	-	-
Totals	<u>\$ 498,667</u>	<u>\$ 131,763</u>	<u>\$ 630,430</u>	<u>\$ 186,000</u>	<u>\$ -</u>

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 16 – SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the 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 2011, only the unspent portion of certain workers' compensation refunds is required to be set-aside at fiscal year-end.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2010	\$ (943,284)	\$ -	\$ 23,745
Current year set-aside requirement	154,690	154,690	-
Current year offsets	-	(66,391)	-
Qualifying disbursements	<u>(179,780)</u>	<u>(88,299)</u>	<u>-</u>
Total	<u>(25,090)</u>	<u>-</u>	<u>23,745</u>
Set-aside reserve balance as of June 30, 2011	<u>(968,374)</u>	<u>-</u>	<u>23,745</u>
Required set-aside balance carried forward to FY 12	<u>\$ (968,374)</u>	<u>\$ -</u>	<u>\$ 23,745</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to offset future year textbook set-aside requirements. The current offset consists of restricted proceeds from the Permanent Improvement levy. The total restricted balance for set-asides at the end of the fiscal year was \$23,745.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modem technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Northern Buckeye Education Council governs NWOCA and its participating members. In fiscal year 2011, the District contributed \$60,653 to NWOCA. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center (the Center) is a distinct political subdivision of the State of Ohio, which provides vocational education for students. The Center is operated under the Direction of a Board consisting of two representatives from the Fulton County Educational Service Center, one representative from the Defiance, Henry, and Williams Counties' Educational Service Centers, and one representative from the participating school districts. The Center possesses its own budgeting and taxing authority. Financial information can be obtained from the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

NOTE 18 – GROUP PURCHASING POOLS

A. Northern Buckeye Education Council Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program (the Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties. The NBEC and its participating members govern the Program. In fiscal year 2011, the District contributed \$904,545 to the Northern Buckeye Education Council for insurance premiums. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

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

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the Northern Buckeye Education Council and the participating members of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participating members pay an enrollment fee, \$1,130 in fiscal year 2011, to the Plan to cover the costs of administering the program.

C. Schools of Ohio Risk Sharing Authority

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 19 – RELATED ORGANIZATION

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

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

NOTE 20 – CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

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

NOTE 21 – RESTRICTED ASSETS

The following amounts, which are reflected on the statement of net assets, are restricted for legal set-aside.

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 23,745</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 22 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2011 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund:		
General fund	\$ -	\$ 69,269
Non-Major Fund		
Bond retirement fund	<u>69,269</u>	<u>-</u>
Total	<u>\$ 69,269</u>	<u>\$ 69,269</u>

Transfers were provided by the general fund for debt payments.

Interfund Balances

On the fund financial statements, the general fund had a receivable of \$50,000. The general fund receivable consists of \$50,000 payable from the non-major governmental funds. The interfund loan was made to provide operating capital.

NOTE 23 – ACCOUNTABILITY

At June 30, 2011, the EMIS, Tech Prep., Title I, and Title IV special revenue funds had deficit fund balances of \$32, \$16, \$15,813, and \$504. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

Patrick Henry Local School District
Henry County

Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 37,364	\$ -	\$ 37,364	\$ -
National School Lunch Program	3L60	10.555	155,420	36,343	155,420	36,343
Total - Nutrition Cluster			192,784	36,343	192,784	36,343
Total United States Department of Agriculture			192,784	36,343	192,784	36,343
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	\$ 82,305	-	\$ 82,392	-
ARRA - Title I Grants to Local Educational Agencies	3DK0	84.389	48,774	-	38,275	-
Total Title I, Part A Cluster			131,079	-	120,667	-
Safe and Drug-Free Schools and Communities, State Grants	3D10	84.186	\$ 1,656	-	\$ 1,059	-
Educational Technology State Grants	3S20	84.318	425	-	402	-
Improving Teacher Quality State Grants	3Y60	84.367	55,200	-	50,821	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	GRF	84.394	392,165	-	482,740	-
Subtotal			449,446	-	535,022	-
Total United States Department of Education			580,525	-	655,689	-
Total Federal Financial Assistance			\$ 773,309	\$ 36,343	\$ 848,473	\$ 36,343

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTIONS

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

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



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

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

Members of the Board of Education
Patrick Henry Local School District
6900 State Route 18
Hamler, Ohio 43524

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Patrick Henry Local School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 25, 2012 wherein we noted that the District implemented GASB Statements No. 54 and No. 59. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

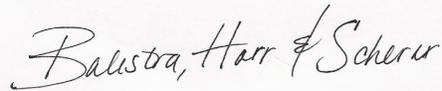
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 25, 2012

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



Balestra, Harr & Scherer, CPAs, Inc.
January 25, 2012



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

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

Members of the Board of Education
Patrick Henry Local School District
6900 State Route 18
Hamler, Ohio 43524

Compliance

We have audited the compliance of Patrick Henry Local School District, Henry County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Patrick Henry Local School District's major federal program for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Patrick Henry Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

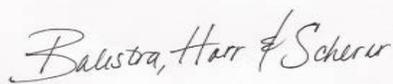
The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over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

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

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.
January 25, 2012

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

**Schedule of Findings
OMB Circular A-133 Section §.505
For the Year Ended June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

**Schedule of Findings
OMB Circular A-133 Section §.505
For the Year Ended June 30, 2011**

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

None Noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-001	Significant Deficiency – Prior Period Adjustments to restate Net Assets	Yes	



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

Independent Auditor's Report on Applying Agreed Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on February 28, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Balestra, Harr & Scherer, CPAs, Inc.

January 25, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

PATRICK HENRY LOCAL SCHOOL DISTRICT

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 15, 2012**