



Dave Yost • Auditor of State



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY  
JUNE 30, 2016**

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HENRY COUNTY  
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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Patrick Henry Local School District  
Henry County  
6900 State Route 18  
Hamler, Ohio 43524-9781

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Patrick Henry Local School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Patrick Henry Local School District, Henry County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 23, 2017

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Patrick Henry Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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The discussion and analysis of Patrick Henry Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

### **Highlights**

Highlights for fiscal year 2016 are as follows:

In total, net position increased \$1,315,240, or 182 percent, from the prior fiscal year.

General revenues were \$11,851,363 for fiscal year 2016, or 85 percent of all revenues, and reflect the School District's significant dependence on property taxes and income taxes as well as unrestricted state entitlements.

### **Using the Basic Financial Statements**

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Patrick Henry Local School District, the General Fund and the Building capital projects fund are the most significant funds.

### **Reporting the School District as a Whole**

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2016. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Patrick Henry Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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

**Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Building capital projects fund.

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

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2016 and fiscal year 2015:

	Table 1 Net Position		
	2016	Governmental Activities 2015	Change
<u>Assets:</u>			
Current and Other Assets	\$19,486,815	\$22,429,212	(\$2,942,397)
Capital Assets, Net	17,173,663	12,330,264	4,843,399
Total Assets	36,660,478	34,759,476	1,901,002
<u>Deferred Outflows of Resources,</u>			
Pension	1,333,482	846,706	486,776
Other Amounts	8,951	9,541	(590)
Total Deferred Outflows of Resources	1,342,433	856,247	486,186

(continued)

Patrick Henry Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

Table 1  
Net Position  
(continued)

	Governmental Activities		
	2016	2015	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$2,692,962	\$1,977,725	(\$715,237)
Long-Term Liabilities			
Pension	13,187,789	11,610,972	(1,576,817)
Other Amounts	15,104,658	15,392,862	288,204
Total Liabilities	<u>30,985,409</u>	<u>28,981,559</u>	<u>(2,003,850)</u>
<u>Deferred Inflows of Resources</u>			
Pension	878,234	2,097,057	1,218,823
Other Amounts	4,100,985	3,814,064	(286,921)
Total Deferred Inflows of Resources	<u>4,979,219</u>	<u>5,911,121</u>	<u>931,902</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	4,965,968	6,444,148	(1,478,180)
Restricted	3,331,516	1,862,055	1,469,461
Unrestricted (Deficit)	(6,259,201)	(7,583,160)	1,323,959
Total Net Position	<u>\$2,038,283</u>	<u>\$723,043</u>	<u>\$1,315,240</u>

The net pension liability is the largest single liability reported by the School District at June 30, 2016, and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Patrick Henry Local School District  
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For the Fiscal Year Ended June 30, 2016  
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GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange”, that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the School District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows.

Aside from the changes related to pension, there were several other significant changes from the prior fiscal year including a 182 percent increase in net position despite a decrease in total revenues and an increase in total expenses. The decrease in current and other assets was primarily due to a \$3 million decrease in cash and cash equivalents as cash resources were spent for construction (Building Fund). Note there was also a significant increase in net capital assets. Much of the increase in current and other liabilities is also construction related with outstanding payables at fiscal year end for contracts and retainage. There was also a sizable increase in the liability for accrued wages due to the timing of pay period dates. The decrease in other long-term liabilities is due to the retirement of debt.

Patrick Henry Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

Table 2 reflects the change in net position for fiscal year 2016 and fiscal year 2015.

Table 2  
Change in Net Position

	Governmental Activities		Change
	2016	2015	
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$865,480	\$949,810	(\$84,330)
Operating Grants and Contributions	1,223,093	1,270,518	(47,425)
Capital Grants and Contributions	0	3,217	(3,217)
Total Program Revenues	<u>2,088,573</u>	<u>2,223,545</u>	<u>(134,972)</u>
General Revenues			
Property Taxes	4,651,902	4,955,868	(303,966)
Income Taxes	1,986,852	1,941,921	44,931
Grants and Entitlements	5,039,913	5,112,877	(72,964)
Interest	46,806	42,474	4,332
Gifts and Donations	0	1,347	(1,347)
Miscellaneous	125,890	134,788	(8,898)
Total General Revenues	<u>11,851,363</u>	<u>12,189,275</u>	<u>(337,912)</u>
Total Revenues	<u>13,939,936</u>	<u>14,412,820</u>	<u>(472,884)</u>
<u>Expenses:</u>			
Instruction:			
Regular	5,484,430	5,285,433	(198,997)
Special	1,723,844	1,471,433	(252,411)
Vocational	32,947	12,727	(20,220)
Support Services:			
Pupils	532,249	542,908	10,659
Instructional Staff	148,314	161,616	13,302
Board of Education	21,460	20,141	(1,319)
Administration	779,900	763,859	(16,041)
Fiscal	392,501	328,367	(64,134)
Business	101,304	88,363	(12,941)
Operation and Maintenance of Plant	870,178	925,666	55,488
Pupil Transportation	591,256	611,043	19,787
Central	416,771	366,402	(50,369)
Non-Instructional Services	487,304	478,702	(8,602)
Extracurricular Activities	435,037	434,186	(851)
Intergovernmental	4,517	5,813	1,296
Interest and Fiscal Charges	602,684	767,089	164,405
Total Expenses	<u>12,624,696</u>	<u>12,263,748</u>	<u>(360,948)</u>
Increase in Net Position	1,315,240	2,149,072	(833,832)
Net Position (Deficit) at Beginning of Year	723,043	(1,426,029)	2,149,072
Net Position at End of Year	<u>\$2,038,283</u>	<u>\$723,043</u>	<u>\$1,315,240</u>

Patrick Henry Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

Total revenues decreased approximately 3 percent from the prior fiscal year. For program revenues, there were decreases in charge for services (primarily tuition and fees) and operating grants and contributions (primarily restricted State foundation resources and grants). For general revenues, the most significant decrease was related to property taxes and largely due to there being less resources available for advance to the School District at fiscal year end. This amount fluctuates due the timing of when taxpayers pay their property taxes as taxpayers have the option of paying their taxes in full early in the year or to pay half early in the year with a second payment made mid-year.

Expenses increased approximately 3 percent overall but no one program stands out (general increases and decreases throughout the various programs).

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

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction:				
Regular	\$5,484,430	\$5,285,433	\$4,739,401	\$4,459,036
Special	1,723,844	1,471,433	972,814	673,368
Vocational	32,947	12,727	26,296	(2,213)
Support Services:				
Pupils	532,249	542,908	530,289	540,508
Instructional Staff	148,314	161,616	148,314	161,616
Board of Education	21,460	20,141	21,460	20,141
Administration	779,900	763,859	779,900	763,859
Fiscal	392,501	328,367	392,501	328,367
Business	101,304	88,363	101,304	88,363
Operation and Maintenance of Plant	870,178	925,666	870,178	925,666
Pupil Transportation	591,256	611,043	587,507	605,483
Central	416,771	366,402	409,571	359,202
Non-Instructional Services	487,304	478,702	64,638	36,230
Extracurricular Activities	435,037	434,186	284,749	307,675
Intergovernmental	4,517	5,813	4,517	5,813
Interest and Fiscal Charges	602,684	767,089	602,684	767,089
Total Expenses	<u>\$12,624,696</u>	<u>\$12,263,748</u>	<u>\$10,536,123</u>	<u>\$10,040,203</u>

Patrick Henry Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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As can be seen above, the dependence on general revenues for most programs is significant. Only several of the School District's programs receive a notable amount of program revenues to offset program costs. The special instruction program provides for 43 percent of its costs through program revenues largely from operating grants restricted for special instruction purposes. Program revenues in the non-instructional program include cafeteria sales and state and federal subsidies and donated commodities for food service operations. Program revenues in the extracurricular activities program include music and athletic fees, ticket sales, and gate receipts.

### **The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance increased 24 percent in the General Fund despite a 6 percent decrease in revenues and a 2 percent increase in expenditures. However, the cost of operations was well within revenues received.

Fund balance decreased substantially in the Building Fund as resources were spent for construction and renovation of facilities.

### **General Fund Budgeting Highlights**

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

During fiscal year 2016, the School District amended its General Fund budget as needed. For revenues, there was almost no change from the original budget to the final budget and changes from the final budget to actual revenues were not significant. There was also very little change from the original budget to the final budget for expenditures. The \$1 million decrease from the final budget to actual expenditures was due to conservative budgeting.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of fiscal year 2016, the School District had \$17,173,663 invested in capital assets (net of accumulated depreciation). The most significant addition was new construction. Disposals were minimal. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

#### **Debt**

At June 30, 2016, the School District had outstanding loans payable, in the amount of \$303,000, general obligation bonds, in the amount of \$4,238,745, and certificates of participation, in the amount of \$9,807,925. In addition, the School District's long-term obligations include the net pension liability, capital leases, and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

Patrick Henry Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
Unaudited

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**Current Issues**

The School District's current five-year forecast indicates the School District is in a sound financial position throughout fiscal years 2017 through 2021. The County Budget Commission voted to lower the School District's bond levies from 2 mills to 1.8 mills to slow the collection of money needed to pay off the bonds. They also voted to keep the emergency levy at the reduced millage of 3.33 mills for the next two years to continue to offset the over collection of the past. The School District's emergency levy will be up for renewal in 2018.

During fiscal year 2015, the School District issued \$9,000,000 in new debt to finance a building project. The School District plans to bring the satellite elementary schools to the main campus by constructing additional classrooms to the existing structure, along with erecting a new field house. The field has now been completed. The auxiliary gym will not be fully completed until January 2017.

At the beginning of fiscal year 2017, the School District negotiated a new three-year contract for both certified and classified employees. The School District has been using a traditional based bargaining model of negotiating successfully over the past decade or more.

**Contacting the School District's Financial Management**

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



Patrick Henry Local School District  
Statement of Net Position  
June 30, 2016

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$13,708,674
Accounts Receivable	12,978
Accrued Interest Receivable	5,854
Intergovernmental Receivable	154,437
Income Taxes Receivable	762,638
Prepaid Items	94,520
Inventory Held for Resale	2,199
Materials and Supplies Inventory	1,153
Property Taxes Receivable	4,744,362
Nondepreciable Capital Assets	6,552,058
Depreciable Capital Assets, Net	10,621,605
Total Assets	36,660,478
 <u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	8,951
Pension	1,333,482
Total Deferred Outflows of Resources	1,342,433
 <u>Liabilities:</u>	
Accounts Payable	41,583
Contracts Payable	801,948
Accrued Wages and Benefits Payable	1,093,930
Intergovernmental Payable	249,360
Matured Compensated Absences Payable	711
Retainage Payable	439,789
Accrued Interest Payable	65,641
Long-Term Liabilities:	
Due Within One Year	301,078
Due in More Than One Year	
Net Pension Liability	13,187,789
Other Amounts Due in More Than One Year	14,803,580
Total Liabilities	30,985,409
 <u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	4,100,985
Pension	878,234
Total Deferred Inflows of Resources	4,979,219
 <u>Net Position:</u>	
Net Investment in Capital Assets	4,965,968
Restricted For:	
Capital Projects	2,569,437
Classroom Facilities	568,504
Athletics and Music	163,848
Other Purposes	29,727
Unrestricted (Deficit)	(6,259,201)
Total Net Position	\$2,038,283

See Accompanying Notes to Basic Financial Statements

Patrick Henry Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2016

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$5,484,430	\$506,489	\$238,540
Special	1,723,844	13,692	737,338
Vocational	32,947	4,464	2,187
Support Services:			
Pupils	532,249	0	1,960
Instructional Staff	148,314	0	0
Board of Education	21,460	0	0
Administration	779,900	0	0
Fiscal	392,501	0	0
Business	101,304	0	0
Operation and Maintenance of Plant	870,178	0	0
Pupil Transportation	591,256	2,337	1,412
Central	416,771	0	7,200
Non-Instructional Services	487,304	198,460	224,206
Extracurricular Activities	435,037	140,038	10,250
Intergovernmental	4,517	0	0
Interest and Fiscal Charges	602,684	0	0
Total Governmental Activities	\$12,624,696	\$865,480	\$1,223,093

General Revenues:

Property Taxes Levied for General Purposes  
Property Taxes Levied for Classroom Facilities Purposes  
Property Taxes Levied for Debt Service  
Property Taxes Levied for Permanent Improvements  
Income Taxes Levied for General Purposes  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Miscellaneous  
Total General Revenues

Change in Net Position

Net Position Beginning of Year  
Net Position End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue  
and Change in  
Net Position

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Governmental  
Activities

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(4,739,401)  
(972,814)  
(26,296)

(530,289)  
(148,314)  
(21,460)  
(779,900)  
(392,501)  
(101,304)  
(870,178)  
(587,507)  
(409,571)  
(64,638)  
(284,749)  
(4,517)  
(602,684)

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(10,536,123)

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4,036,000  
106,269  
307,452  
202,181  
1,986,852  
5,039,913  
46,806  
125,890

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11,851,363

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1,315,240

723,043

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\$2,038,283

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Patrick Henry Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2016

	General	Building	Other Governmental	Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$7,844,443	\$3,740,802	\$2,123,429	\$13,708,674
Accounts Receivable	12,978	0	0	12,978
Accrued Interest Receivable	1,465	4,389	0	5,854
Interfund Receivable	38,088	0	0	38,088
Intergovernmental Receivable	23,800	0	130,637	154,437
Income Taxes Receivable	762,638	0	0	762,638
Prepaid Items	94,359	0	161	94,520
Inventory Held for Resale	0	0	2,199	2,199
Materials and Supplies Inventory	0	0	1,153	1,153
Property Taxes Receivable	4,192,959	0	551,403	4,744,362
Total Assets	<u>\$12,970,730</u>	<u>\$3,745,191</u>	<u>\$2,808,982</u>	<u>\$19,524,903</u>
<u>Liabilities:</u>				
Accounts Payable	\$31,396	\$9,694	\$493	\$41,583
Contracts Payable	0	801,948	0	801,948
Accrued Wages and Benefits Payable	1,021,242	0	72,688	1,093,930
Interfund Payable	0	0	38,088	38,088
Intergovernmental Payable	188,039	0	61,321	249,360
Matured Compensated Absences Payable	711	0	0	711
Retainage Payable	0	439,789	0	439,789
Total Liabilities	<u>1,241,388</u>	<u>1,251,431</u>	<u>172,590</u>	<u>2,665,409</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes Receivable	3,633,317	0	467,668	4,100,985
Unavailable Revenue	272,084	4,356	23,307	299,747
Total Deferred Inflows of Resources	<u>3,905,401</u>	<u>4,356</u>	<u>490,975</u>	<u>4,400,732</u>
<u>Fund Balances:</u>				
Nonspendable	94,359	0	1,314	95,673
Restricted	0	2,489,404	2,150,447	4,639,851
Assigned	54,113	0	0	54,113
Unassigned (Deficit)	7,675,469	0	(6,344)	7,669,125
Total Fund Balances	<u>7,823,941</u>	<u>2,489,404</u>	<u>2,145,417</u>	<u>12,458,762</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$12,970,730</u>	<u>\$3,745,191</u>	<u>\$2,808,982</u>	<u>\$19,524,903</u>

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District  
Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2016

Total Governmental Fund Balances \$12,458,762

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 17,173,663

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

Accounts Receivable	11,958	
Accrued Interest Receivable	4,356	
Intergovernmental Receivable	18,197	
Income Taxes Receivable	123,874	
Delinquent Property Taxes Receivable	141,362	
		299,747

Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds. 8,951

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

Accrued Interest Payable	(65,641)	
Loans Payable	(303,000)	
General Obligation Bonds Payable	(4,238,745)	
Certificates of Participation Payable	(9,807,925)	
Capital Leases Payable	(82,187)	
Compensated Absences Payable	(672,801)	
		(15,170,299)

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.

Deferred Outflows - Pension	1,333,482	
Deferred Inflows - Pension	(878,234)	
Net Pension Liability	(13,187,789)	
		(12,732,541)

Net Position of Governmental Activities \$2,038,283

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2016

	General	Building	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$4,040,286	\$0	\$614,807	\$4,655,093
Income Taxes	1,972,476	0	0	1,972,476
Intergovernmental	5,263,191	0	1,020,761	6,283,952
Interest	13,681	31,309	0	44,990
Tuition and Fees	548,698	0	0	548,698
Extracurricular Activities	8,706	0	130,643	139,349
Charges for Services	0	0	198,460	198,460
Gifts and Donations	0	0	10,250	10,250
Miscellaneous	42,396	947	69,259	112,602
Total Revenues	<u>11,889,434</u>	<u>32,256</u>	<u>2,044,180</u>	<u>13,965,870</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,838,382	0	235,257	5,073,639
Special	1,320,306	0	417,305	1,737,611
Vocational	22,737	0	9,784	32,521
Support Services:				
Pupils	529,573	0	2,050	531,623
Instructional Staff	133,110	0	0	133,110
Board of Education	21,324	304	0	21,628
Administration	756,199	0	43,942	800,141
Fiscal	342,392	31,470	15,321	389,183
Business	99,047	0	0	99,047
Operation and Maintenance of Plant	812,730	0	42,977	855,707
Pupil Transportation	460,259	0	18,168	478,427
Central	418,575	0	1,829	420,404
Non-Instructional Services	22,959	0	450,231	473,190
Extracurricular Activities	257,777	0	169,636	427,413
Capital Outlay	0	5,456,936	0	5,456,936
Intergovernmental	4,517	0	0	4,517
Debt Service:				
Principal Retirement	80,458	0	301,333	381,791
Interest and Fiscal Charges	3,497	0	544,189	547,686
Total Expenditures	<u>10,123,842</u>	<u>5,488,710</u>	<u>2,252,022</u>	<u>17,864,574</u>
Excess of Revenues Over (Under) Expenditures	<u>1,765,592</u>	<u>(5,456,454)</u>	<u>(207,842)</u>	<u>(3,898,704)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	239,605	239,605
Transfers Out	(239,605)	0	0	(239,605)
Total Other Financing Sources (Uses)	<u>(239,605)</u>	<u>0</u>	<u>239,605</u>	<u>0</u>
Changes in Fund Balances	1,525,987	(5,456,454)	31,763	(3,898,704)
Fund Balances Beginning of Year	<u>6,297,954</u>	<u>7,945,858</u>	<u>2,113,654</u>	<u>16,357,466</u>
Fund Balances End of Year	<u>\$7,823,941</u>	<u>\$2,489,404</u>	<u>\$2,145,417</u>	<u>\$12,458,762</u>

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District  
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement of Activities  
For the Fiscal Year Ended June 30, 2016

Changes in Fund Balances - Total Governmental Funds (\$3,898,704)

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current fiscal year.

Capital Outlay - Nondepreciable Capital Assets	5,381,842	
Capital Outlay - Depreciable Capital Assets	65,015	
Depreciation	(603,458)	
		4,843,399

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

Delinquent Property Taxes	(3,191)	
Income Taxes	14,376	
Intergovernmental	(31,196)	
Interest	1,816	
Tuition and Fees	(21,027)	
Miscellaneous	13,288	
		(25,934)

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

Loans	76,333	
General Obligation Bonds	225,000	
Capital Leases	80,458	
		381,791

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

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

Accrued Interest Payable	(19,917)	
Annual Accretion on Capital Appreciation Bonds	(46,851)	
Amortization of Premium	12,360	
Amortization of Deferred Charge on Refunding	(590)	
		(54,998)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (59,096)

(continued)

Patrick Henry Local School District  
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement of Activities  
For the Fiscal Year Ended June 30, 2016  
(continued)

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities. (\$648,317)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows and deferred inflows or a reduction of the liability. 777,099

Change in Net Position of Governmental Activities \$1,315,240

See Accompanying Notes to the Basic Financial Statements



Patrick Henry Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,069,995	\$4,069,995	\$4,298,385	\$228,390
Income Taxes	1,978,602	1,978,602	1,942,657	(35,945)
Intergovernmental	5,005,488	5,005,488	5,264,138	258,650
Interest	7,500	7,500	13,536	6,036
Tuition and Fees	614,450	614,450	548,619	(65,831)
Extracurricular Activities	10,000	10,000	8,706	(1,294)
Gifts and Donations	800	1,100	0	(1,100)
Miscellaneous	24,550	24,550	36,595	12,045
Total Revenues	<u>11,711,385</u>	<u>11,711,685</u>	<u>12,112,636</u>	<u>400,951</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,227,607	5,233,304	4,871,250	362,054
Special	1,492,721	1,502,650	1,347,621	155,029
Vocational	77,000	77,000	22,737	54,263
Support Services:				
Pupils	613,122	613,322	527,319	86,003
Instructional Staff	192,462	221,757	207,953	13,804
Board of Education	22,950	25,550	21,432	4,118
Administration	823,064	824,979	744,586	80,393
Fiscal	368,920	370,790	343,647	27,143
Business	101,214	101,814	99,134	2,680
Operation and Maintenance of Plant	938,450	939,825	821,819	118,006
Pupil Transportation	638,061	698,681	627,191	71,490
Central	496,050	500,189	416,759	83,430
Non-Instructional Services	4,800	26,800	22,959	3,841
Extracurricular Activities	288,765	288,491	258,263	30,228
Total Expenditures	<u>11,285,186</u>	<u>11,425,152</u>	<u>10,332,670</u>	<u>1,092,482</u>
Excess of Revenues Over Expenditures	<u>426,199</u>	<u>286,533</u>	<u>1,779,966</u>	<u>1,493,433</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	0	8,542	8,542
Transfers Out	(209,606)	(239,605)	(239,605)	0
Total Other Financing Sources (Uses)	<u>(209,606)</u>	<u>(239,605)</u>	<u>(231,063)</u>	<u>8,542</u>
Changes in Fund Balance	216,593	46,928	1,548,903	1,501,975
Fund Balance Beginning of Year	6,258,400	6,258,400	6,258,400	0
Prior Year Encumbrances Appropriated	42,706	42,706	42,706	0
Fund Balance End of Year	<u>\$6,517,699</u>	<u>\$6,348,034</u>	<u>\$7,850,009</u>	<u>\$1,501,975</u>

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2016

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$9,232	\$62,179
<u>Liabilities:</u>		
Due to Students	0	\$62,179
<u>Net Position:</u>		
Held in Trust for Scholarships	7,533	
Endowment	1,699	
Total Net Position	\$9,232	

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District  
Statement of Change in Fiduciary Net Position  
Private Purpose Trust Fund  
June 30, 2016

	Private Purpose Trust
<u>Additions:</u>	
Gifts and Donations	\$3,894
 <u>Deductions:</u>	
Non-Instructional Services	4,080
Change in Net Position	(186)
Net Position Beginning of Year	9,418
Net Position End of Year	\$9,232

See Accompanying Notes to the Basic Financial Statements

**Note 1 - Description of the School District and Reporting Entity**

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

The School District is staffed by sixty classified employees, seventy-four certified teaching personnel, and five administrative employees who provide services to eight hundred ninety-four students and other community members. The School District currently operates three instructional buildings.

**Reporting Entity**

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

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

The School District participates in four jointly governed organizations, a related organization, and three insurance pools. These organizations are the Northwest Ohio Computer Association, Northern Buckeye Education Council, Four County Career Center, Northwestern Ohio Educational Research Council, Inc., Edwin Wood Memorial Library, the Schools of Ohio Risk Sharing Authority, the Northern Buckeye Health Plan, and the Northern Buckeye Education Council Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 23, 24, and 25 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The School District's major governmental funds are the General Fund and Building capital projects fund.

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

**Building** - The Building Fund is used to account for debt proceeds restricted for the construction of new school buildings.

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Fund Financial Statements**

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

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

**Revenues - Exchange and Nonexchange Transactions**

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

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

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources includes a deferred charge on refunding reported on the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter. Deferred outflows of resources are also reported on the government-wide statement of net position for pension and explained in Note 14 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources consists of property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 14 to the basic financial statements.

Expenses/Expenditures

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

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



**Note 2 - Summary of Significant Accounting Policies** (continued)

**E. Budgetary Process**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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

**F. Cash and Investments**

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

During fiscal year 2016, investments consisted of nonnegotiable and negotiable certificates of deposit, United States treasury securities, federal agency securities, mutual funds, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Investments are reported at fair value, which is based on quoted market price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2016.

The Board of Education allocates interest according to State statute. Interest revenue credited to the General Fund during fiscal year 2016 was \$13,681, which includes \$3,084 assigned from other School District funds.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**I. Capital Assets**

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The School District maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	5-30 years
Buildings and Building Improvements	16-98 years
Furniture, Fixtures, and Equipment	5 - 30 years
Vehicles	8 years

**J. Deferred Charge on Refunding**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**K. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from interfund loans and for services provided are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net position.

**L. Compensated Absences**

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

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees who have accumulated unpaid leave are paid.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, net pension liability and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term loans, general obligation bonds, certificates of participation, and capital leases are reported on the governmental fund financial statements when due.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**N. Unamortized Premiums**

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

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

**O. Net Position**

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

**P. Fund Balance Reserves**

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

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

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

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

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

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**Q. Interfund Transactions**

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

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

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

**R. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

## **S. Estimates**

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

### **Note 3 - Change in Accounting Principles**

For fiscal year 2016, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 76, "Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 82, "Pension Issues-an Amendment of GASB Statements No. 67, No. 69, and No. 73".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this statement did not result in any changes to the School District's financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

### **Note 4 - Accountability and Compliance**

#### **A. Accountability**

At June 30, 2016, the High Schools That Work, Title II-A and 21<sup>st</sup> Century special revenue funds had deficit fund balances, in the amount of \$228, \$6,071, and \$45, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

#### **B. Compliance**

The Food Service special revenue fund had final appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2016, in the amount of \$2,390.

The Bond Retirement and House Bill 264 debt service funds had expenditures in excess of appropriations for the fiscal year ended June 30, 2016, in the amount of \$893 and \$28,999, respectively.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 4 - Accountability and Compliance** (continued)

The Treasurer will monitor budgetary activity to ensure that appropriations are within estimated resources and that expenditures are within amounts appropriated.

**Note 5 - Budgetary Basis of Accounting**

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

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

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

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

Changes in Fund Balance	
GAAP Basis	\$1,525,987
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2015, Received in Cash FY 2016	1,319,780
Accrued FY 2016, Not Yet Received in Cash	(1,088,439)
Expenditure Accruals:	
Accrued FY 2015, Paid in Cash FY 2016	(1,323,335)
Accrued FY 2016, Not Yet Paid in Cash	1,241,388
Cash Adjustments:	
Unrecorded Activity FY 2015	403
Prepaid Items	(94,359)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(32,522)
Budget Basis	\$1,548,903

**Note 6 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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 and, with certain limitations, bonds and other obligations of political subdivisions 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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.



Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 6 - Deposits and Investments** (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,430,358 of the School District's bank balance of \$10,123,823 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2016, the School District had the following investments:

Measurement/Investment	Fair Value	Maturity
Negotiable Certificate of Deposit	\$247,030	7/26/16
Negotiable Certificate of Deposit	247,064	8/29/16
Negotiable Certificate of Deposit	249,052	9/9/16
Negotiable Certificate of Deposit	249,055	9/14/16
Negotiable Certificate of Deposit	495,202	9/23/16
Negotiable Certificate of Deposit	244,561	11/28/16
Negotiable Certificate of Deposit	244,412	12/12/16
Negotiable Certificate of Deposit	244,444	12/28/16
Negotiable Certificate of Deposit	465,359	12/30/16
U.S. Treasury Bill	544,308	12/8/16
Federal Home Loan Bank Notes	244,978	7/21/16
Mutual Fund	2,944	39 days
Net Value per Share		
STAR Ohio	510,087	48.6 Days
Total Investments	\$3,988,496	

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 6 - Deposits and Investments** (continued)

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2016. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The negotiable certificates of deposit are covered by FDIC insurance. The U.S. Treasury Bill, Federal Home Loan Bank Notes, and mutual funds carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$2,686,179	67.4%
U.S. Treasury Bill	544,308	13.6
Federal Home Loan Bank	244,978	6.1

**Note 7 - Receivables**

Receivables at June 30, 2016, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 7 - Receivables** (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
State of Ohio	\$4,244
Northwest Ohio Educational Service Center	6,268
Bureau of Workers' Compensation	13,288
Total General Fund	<u>23,800</u>
Other Governmental Funds	
High Schools That Work	1,490
Title I	50,868
Title II-A	5,541
21 <sup>st</sup> Century	72,738
Total Other Governmental Funds	<u>130,637</u>
Total Governmental Activities	<u><u>\$154,437</u></u>

**Note 8 - Income Taxes**

The School District levies a voted tax of 1.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Note 9 - Property Taxes**

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 9 - Property Taxes** (continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Henry, Putnam, and Wood Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2016, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2016, was \$436,678 in the General Fund, \$36,217 in the Bond Retirement debt service fund, and \$29,120 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2015, was \$694,777 in the General Fund, \$52,063 in the Bond Retirement debt service fund, and \$42,096 in the Permanent Improvement capital projects fund.

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 9 - Property Taxes** (continued)

The assessed values upon which fiscal year 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$183,959,710	94.27%	\$183,992,120	94.28%
Industrial/Commercial	7,686,700	3.94	7,509,740	3.85
Public Utility Real	310,530	.16	310,800	.16
Public Utility Personal	3,174,620	1.63	3,335,420	1.71
Total Assessed Value	<u>\$195,131,560</u>	<u>100.00%</u>	<u>\$195,148,080</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.45		\$40.83	

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance at 6/30/15	Additions	Reductions	Balance at 6/30/16
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$591,100	\$0	\$0	\$591,100
Construction in Progress	1,072,302	5,381,842	493,186	5,960,958
Total Nondepreciable Capital Assets	<u>1,663,402</u>	<u>5,381,842</u>	<u>493,186</u>	<u>6,552,058</u>
Depreciable Capital Assets				
Land Improvements	578,894	10,145	0	589,039
Buildings and Building Improvements	14,246,756	531,066	0	14,777,822
Furniture, Fixtures, and Equipment	1,524,304	16,990	0	1,541,294
Vehicles	1,333,459	0	(56,900)	1,276,559
Total Depreciable Capital Assets	<u>17,683,413</u>	<u>558,201</u>	<u>(56,900)</u>	<u>18,184,714</u>
Less Accumulated Depreciation				
Land Improvements	(448,157)	(8,421)	0	(456,578)
Buildings and Building Improvements	(4,466,634)	(458,806)	0	(4,925,440)
Furniture, Fixtures, and Equipment	(1,210,745)	(36,842)	0	(1,247,587)
Vehicles	(891,015)	(99,389)	56,900	(933,504)
Total Accumulated Depreciation	<u>(7,016,551)</u>	<u>(603,458)</u>	<u>56,900</u>	<u>(7,563,109)</u>
Depreciable Capital Assets, Net	<u>10,666,862</u>	<u>(45,257)</u>	<u>0</u>	<u>10,621,605</u>
Governmental Activities Capital Assets, Net	<u>\$12,330,264</u>	<u>\$5,336,585</u>	<u>\$493,186</u>	<u>\$17,173,663</u>

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 10 - Capital Assets** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$378,845
Special	3,871
Vocational	426
Support Services:	
Pupils	1,935
Instructional Staff	16,408
Administration	13,154
Fiscal	980
Operation and Maintenance of Plant	42,436
Pupil Transportation	112,223
Non-Instructional Services	20,226
Extracurricular Activities	12,954
Total Depreciation Expense	<u><u>\$603,458</u></u>

**Note 11 - Interfund Assets/Liabilities**

At June 30, 2016, the General Fund had an interfund receivable from other governmental funds, in the amount of \$38,088, for short-term loans made to those funds. This amount is expected to be repaid within one year.

**Note 12 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School District contracted for the following insurance coverage.

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

General School District Liability	
Per Occurrence	\$15,000,000
Total Per Year	17,000,000
Vehicle Liability	15,000,000
Building and Contents	200,100,000

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 12 - Risk Management** (continued)

For fiscal year 2016, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

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

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

**Note 13 - Contractual Commitments**

The School District has several outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2016:

Vendor	Contract Amount	Amount Paid as of 6/30/16	Outstanding Balance
Beilharz Architects, Inc.	\$497,152	\$463,594	\$33,558
Alexander & Bebout, Inc.	5,797,984	4,211,158	1,586,826
Rupp/Rosebrock, Inc.	899,499	44,470	855,029

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2017 are as follows:

General Fund	\$32,522
Building Fund	2,565,781
Other Governmental Funds	141,544
Total	<u>\$2,739,847</u>

**Note 14 - Defined Benefit Pension Plans**

**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation, including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description - School District classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. The report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.



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**Note 14 - Defined Benefit Pension Plans** (continued)

Age and service requirements for retirement are as follows.

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$211,107 for fiscal year 2016. Of this amount, \$38,500 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

**Note 14 - Defined Benefit Pension Plans** (continued)

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service or age sixty-five with five years of service on August 1, 2026.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, 11 percent of the 12 percent member rate goes to the DCP and 1 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty.

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased 1 percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

Patrick Henry Local School District  
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**Note 14 - Defined Benefit Pension Plans** (continued)

The School District's contractually required contribution to STRS was \$565,992 for fiscal year 2016. Of this amount, \$98,296 is reported as an intergovernmental payable.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.04440500%	0.03849641%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.04510470%</u>	<u>0.03840519%</u>	
Change in Proportionate Share	<u>(0.00069970%)</u>	<u>0.00009122%</u>	
Proportionate Share of the Net Pension Liability	\$2,573,718	\$10,614,071	\$13,187,789
Pension Expense	\$173,065	\$475,252	\$648,317

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences Between Expected and Actual Experience	\$41,441	\$483,868	\$525,309
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions School District Contributions Subsequent to the Measurement Date	31,074	0	31,074
	<u>211,107</u>	<u>565,992</u>	<u>777,099</u>
Total Deferred Outflows of Resources	<u>\$283,622</u>	<u>\$1,049,860</u>	<u>\$1,333,482</u>
<b>Deferred Inflows of Resources</b>			
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$85,274	\$763,353	\$848,627
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	0	29,607	29,607
Total Deferred Inflows of Resources	<u>\$85,274</u>	<u>\$792,960</u>	<u>\$878,234</u>

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
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**Note 14 - Defined Benefit Pension Plans** (continued)

\$777,099 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Fiscal Year Ended June 30,	SERS	STRS	Total
2017	(\$21,040)	(\$179,665)	(\$200,705)
2018	(21,040)	(179,665)	(200,705)
2019	(21,237)	(179,665)	(200,902)
2020	50,558	229,903	280,461
Total	(\$12,759)	(\$309,092)	(\$321,851)

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2015, are presented below.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

Patrick Henry Local School District  
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**Note 14 - Defined Benefit Pension Plans** (continued)

For postretirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

The target allocation and the long-term expected real rate of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.00%
U.S. Stocks	22.50	5.00
Non-U.S. Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00%</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
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**Note 14 - Defined Benefit Pension Plans** (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$3,568,822	\$2,573,718	\$1,735,758

**Changes between Measurement Date and Report Date**

In April 2016, the SERS Board adopted certain assumption change which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation	2.75 percent
Projected Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study effective July 1, 2012.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
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**Note 14 - Defined Benefit Pension Plans** (continued)

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the retirement board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return *
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00%	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$14,743,746	\$10,614,071	\$7,121,816

**Note 14 - Defined Benefit Pension Plans** (continued)

**Social Security**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2016, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 15 - Postemployment Benefits**

**School Employees Retirement System (SERS)**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$23,834.

The School District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 was \$0, \$11,169, \$1,589, respectively. The full amount has been contributed for all three fiscal years.



**Note 15 - Postemployment Benefits** (continued)

**State Teachers Retirement System (STRS)**

Health Care Plan Description - The School District participates in the cost-sharing multiple-employer defined benefit health care plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016, and June 30, 2015, STRS did not allocate any employer contributions to postemployment health care. For the fiscal year ended June 30, 2014, 1 percent of covered payroll was allocated to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$39,594 respectively. The full amount has been contributed for all three fiscal years.

**Note 16 - Other Employee Benefits**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

Patrick Henry Local School District  
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**Note 17 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Balance at 6/30/15	Additions	Reductions	Balance at 6/30/16	Amounts Due Within One Year
Governmental Activities					
FY07 Loan Payable 4.4%	\$317,333	\$0	\$45,333	\$272,000	\$45,333
FY02 Loan Payable 0%	62,000	0	31,000	31,000	31,000
Total Loans Payable	<u>379,333</u>	<u>0</u>	<u>76,333</u>	<u>303,000</u>	<u>76,333</u>
General Obligation Bonds					
FY 2007 School Facilities Construction and Improvement Refunding					
Serial Bonds 4%	1,540,000	0	225,000	1,315,000	0
Term Bonds 3.65 - 4.13%	1,600,000	0	0	1,600,000	0
Capital Appreciation Bonds	500,000	0	0	500,000	110,000
Accretion on Capital Appreciation Bonds	589,292	46,851	0	636,143	0
Premium	199,962	0	12,360	187,602	0
Total General Obligation Bonds	<u>4,429,254</u>	<u>46,851</u>	<u>237,360</u>	<u>4,238,745</u>	<u>110,000</u>
FY 2015 Certificates of Participation					
Serial Certificates 2-4%	2,275,000	0	0	2,275,000	0
Term Certificates 3.65 - 4.13%	6,725,000	0	0	6,725,000	0
Premium	807,925	0	0	807,925	0
Total Certificates of Participation	<u>9,807,925</u>	<u>0</u>	<u>0</u>	<u>9,807,925</u>	<u>0</u>
Net Pension Liability					
SERS	2,247,312	326,406	0	2,573,718	0
STRS	9,363,660	1,250,411	0	10,614,071	0
Total Net Pension Liability	<u>11,610,972</u>	<u>1,576,817</u>	<u>0</u>	<u>13,187,789</u>	<u>0</u>
Capital Leases Payable	162,645	0	80,458	82,187	82,187
Compensated Absences Payable	613,705	126,346	67,250	672,801	32,558
Total Governmental Activities Long-Term Liabilities	<u>\$27,003,834</u>	<u>\$1,750,014</u>	<u>\$461,401</u>	<u>\$28,292,447</u>	<u>\$301,078</u>

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
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**Note 17 - Long-Term Obligations** (continued)

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

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

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

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

Year	Amount
2026	\$295,000

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

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

Year	Amount
2028	\$320,000
2029	330,000

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2016, December 1, 2017, December 1, 2018, December 1, 2019, December 1, 2020, and December 1, 2021, in the amount of \$235,000, \$245,000, \$255,000, \$260,000, and \$260,000, respectively. For fiscal year 2014, \$46,851 was accreted on the capital appreciation bonds for a total bond value of \$1,136,143 at fiscal year end.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 17 - Long-Term Obligations** (continued)

FY 15 Certificates of Participation - On November 5, 2014, the School District issued certificates of participation, in the amount of \$9,000,000, to acquire, construct, improve, furnish, and equip school facilities. The issue includes serial and term certificates. The certificates were issued for a twenty-nine year period, with final maturity in fiscal year 2044. The certificates are being retired through the Bond Retirement debt service fund. As of June 30, 2016, \$1,981,880 of the proceeds had not been spent.

The serial certificates maturing on or after December 1, 2023, are subject to redemption, at the option of the School District, either in whole or in part, in such order of maturity as the School District shall determine, on any interest payment date on or after December 1, 2022, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

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

Year	Amount
2029	\$290,000
2030	305,000
2031	325,000

The remaining principal, in the amount of \$345,000, will be paid at stated maturity on December 1, 2032.

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

Year	Amount
2033	\$365,000

The remaining principal, in the amount of \$385,000, will be paid at stated maturity on December 1, 2034.

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

Year	Amount
2035	\$410,000
2036	435,000
2037	460,000

The remaining principal, in the amount of \$490,000, will be paid at stated maturity on December 1, 2038.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 17 - Long-Term Obligations** (continued)

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

<u>Year</u>	<u>Amount</u>
2039	\$520,000
2040	550,000
2041	580,000
2042	615,000

The remaining principal, in the amount of \$650,000, will be paid at stated maturity on December 1, 2043.

The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 14 to the basic financial statements.

Capital leases will be paid from the General Fund.

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

The School District's overall debt margin was \$5,404,461 with an unvoted debt margin of \$191,813 at June 30, 2016.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2016, were as follows:

<u>FY 07 Loan Payable</u>			
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$45,333	\$11,968	\$57,301
2018	45,334	9,973	55,307
2019	45,333	7,978	53,311
2020	45,334	6,000	51,334
2021	45,333	3,989	49,322
2022	45,333	1,994	47,327
Total	<u>\$272,000</u>	<u>\$41,902</u>	<u>\$313,902</u>

<u>FY 03 Loan Payable</u>	
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2017	<u>\$31,000</u>

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 17 - Long-Term Obligations** (continued)

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
2017	\$0	\$0	\$110,000	\$242,850	\$352,850
2018	0	0	105,000	257,850	362,850
2019	0	0	100,000	272,850	372,850
2020	0	0	95,000	282,850	377,850
2021	0	0	90,000	287,850	377,850
2022-2026	1,315,000	0	0	461,350	1,776,350
2027-2031	0	1,600,000	0	169,812	1,769,812
	<u>\$1,315,000</u>	<u>\$1,600,000</u>	<u>\$500,000</u>	<u>\$1,975,412</u>	<u>\$5,390,412</u>

Fiscal Year Ending June 30,	Certificates of Participation			Interest	Total
	Serial	Term			
2017	\$0	\$0		\$407,838	\$407,838
2018	115,000	0		406,688	521,688
2019	120,000	0		404,337	524,337
2020	125,000	0		401,888	526,888
2021	135,000	0		398,612	533,612
2022-2026	1,000,000	0		1,912,786	2,912,786
2027-2031	780,000	595,000		1,685,532	3,060,532
2032-2036	0	1,830,000		1,312,550	3,142,550
2037-2041	0	2,455,000		782,625	3,237,625
2042-2044	0	1,845,000		141,875	1,986,875
	<u>\$2,275,000</u>	<u>\$6,725,000</u>		<u>\$7,854,731</u>	<u>\$16,854,731</u>

**Note 18 - Capital Leases - Lessee Disclosure**

The School District has entered into capitalized leases for vehicles. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in fiscal year 2016 were \$80,458.

	Governmental Activities
Vehicles	<u>\$325,364</u>
Less Accumulated Depreciation	<u>(115,232)</u>
Carrying Value at June 30, 2016	<u>\$210,132</u>

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 18 - Capital Leases - Lessee Disclosure** (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2016.

Year	Governmental Activities	
	Principal	Interest
2017	\$82,187	\$1,767

**Note 19 - Fund Balance**

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

Fund Balance	General	Building	Other Governmental	Total Governmental Funds
Nonspendable for:				
Prepaid Items	\$94,359	\$0	\$161	\$94,520
Materials and Supplies				
Inventory	0	0	1,153	1,153
<b>Total Nonspendable</b>	<b>94,359</b>	<b>0</b>	<b>1,314</b>	<b>95,673</b>
Restricted for:				
Athletics and Music	0	0	163,848	163,848
Building Construction	0	2,489,404	0	2,489,404
Debt Retirement	0	0	556,322	556,322
Facilities Maintenance	0	0	568,504	568,504
Food Service Operations	0	0	38,749	38,749
Permanent Improvements	0	0	807,699	807,699
Regular Instruction	0	0	12,571	12,571
Special Instruction	0	0	176	176
Wellness Program	0	0	2,578	2,578
<b>Total Restricted</b>	<b>0</b>	<b>2,489,404</b>	<b>2,150,447</b>	<b>4,639,851</b>
Assigned for:				
Educational Activities	41,489	0	0	41,489
Unpaid Obligations	12,624	0	0	12,624
<b>Total Assigned</b>	<b>54,113</b>	<b>0</b>	<b>0</b>	<b>54,113</b>
Unassigned (Deficit)	7,675,469	0	(6,344)	7,669,125
<b>Total Fund Balance</b>	<b>\$7,823,941</b>	<b>\$2,489,404</b>	<b>\$2,145,417</b>	<b>\$12,458,762</b>

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 20 - Set Asides**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2016.

Balance June 30, 2015	\$0
Current Year Set Aside Requirement	163,019
Current Year Offsets	<u>(163,019)</u>
Reserve Balance June 30, 2016	<u><u>\$0</u></u>

**Note 21 - Interfund Transfers**

During fiscal year 2016, the General Fund made transfers to other governmental funds, in the amount of \$239,605, as debt payments came due and to subsidize operations of other funds.

**Note 22 - Donor Restricted Endowments**

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$1,699, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$7,533 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**Note 23 - Jointly Governed Organizations**

**A. Northwest Ohio Computer Association**

The School District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2016, the School District paid \$35,280 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.



**Note 23 - Jointly Governed Organizations** (continued)

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The board is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

**C. Four County Career Center**

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

**D. Northwestern Ohio Educational Research Council, Inc.**

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

**Note 24 - Related Organization**

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

**Note 25 - Insurance Pools**

**A. Schools of Ohio Risk Sharing Authority**

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

**B. Northern Buckeye Health Plan**

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

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

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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**Note 26 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

**B. School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

**C. Litigation**

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

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Patrick Henry Local School District  
Required Supplementary Information  
Schedule of the School District's Proportionate Share of the Net Pension Liability  
School Employees Retirement System of Ohio  
Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.04510470%	0.04440500%	0.04440500%
School District's Proportionate Share of the Net Pension Liability	\$2,573,718	\$2,247,312	\$2,640,623
School District's Covered Employee Payroll	\$1,362,049	\$1,135,160	\$1,099,763
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	188.96%	197.97%	240.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is prior fiscal year end.

Patrick Henry Local School District  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.03840519%	0.03849641%	0.03849641%
School District's Proportionate Share of the Net Pension Liability	\$10,614,071	\$9,363,660	\$11,153,930
School District's Covered Employee Payroll	\$3,985,107	\$3,959,415	\$3,974,562
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	266.34%	236.49%	280.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is prior fiscal year end.

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Patrick Henry Local School District  
 Required Supplementary Information  
 Schedule of the School District's Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$211,107	\$179,518	\$157,333	\$152,207
Contributions in Relation to the Contractually Required Contribution	<u>(211,107)</u>	<u>(179,518)</u>	<u>(157,333)</u>	<u>(152,207)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Employee Payroll	\$1,507,907	\$1,362,049	\$1,135,160	\$1,099,763
Contributions as a Percentage of Covered Employee Payroll	14.00%	13.18%	13.86%	13.84%



<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$150,520	\$213,863	\$147,512	\$137,038	\$164,642	\$171,611
<u>(150,520)</u>	<u>(213,863)</u>	<u>(147,512)</u>	<u>(137,038)</u>	<u>(164,642)</u>	<u>(171,611)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,119,110	\$1,701,380	\$1,089,452	\$1,392,662	\$1,676,594	\$1,606,845
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Patrick Henry Local School District  
Required Supplementary Information  
Schedule of the School District's Contributions  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$565,992	\$557,915	\$514,724	\$516,693
Contributions in Relation to the Contractually Required Contribution	<u>(565,992)</u>	<u>(557,915)</u>	<u>(514,724)</u>	<u>(516,693)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Employee Payroll	\$4,042,800	\$3,985,107	\$3,959,415	\$3,974,562
Contributions as a Percentage of Covered Employee Payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$508,460	\$543,836	\$575,802	\$546,652	\$568,638	\$542,090
<u>(508,460)</u>	<u>(543,836)</u>	<u>(575,802)</u>	<u>(546,652)</u>	<u>(568,638)</u>	<u>(542,090)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,911,231	\$4,183,354	\$4,429,246	\$4,205,015	\$4,374,138	\$4,169,923
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program - Cash Assistance	10.553		\$40,778
National School Lunch Program	10.555		
Cash Assistance			153,130
Non-Cash Assistance (Food Distribution)			26,921
Total National School Lunch Program			<u>180,051</u>
Total U.S. Department of Agriculture			<u><b>220,829</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title 1 Grants to Local Educational Agencies	84.010		197,470
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	\$205,910	205,910
Special Education Preschool Grants	84.173	10,053	10,053
Total Special Education Cluster		<u>215,963</u>	<u>215,963</u>
Twenty First Century Grant	84.287		184,210
English Language Acquisition State Grants	84.365	1,955	1,955
Improving Teacher Quality State Grants	84.367		42,029
Total U.S. Department of Education		<u><b>217,918</b></u>	<u><b>641,627</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><b>\$217,918</b></u>	<u><b>\$862,456</b></u>

*The accompanying notes are an integral part of this schedule.*

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Patrick Henry Local School District, Henry County, Ohio (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - SUBRECIPIENTS**

The District passes certain federal awards received from Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE D - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE E – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Patrick Henry Local School District  
Henry County  
6900 State Route 18  
Hamler, Ohio 43524-9781

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Patrick Henry Local School District, Henry County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 23, 2017.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our

audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 23, 2017





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Patrick Henry Local School District  
Henry County  
6900 State Route 18  
Hamler, Ohio 43524-9781

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited Patrick Henry Local School District, Henry County, Ohio's (the District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, Patrick Henry Local School District, Henry County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 23, 2017

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1 Grants to Local Educational Agencies – CFDA#84.010 Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	There were significant errors and omissions made on the District's Schedule of Federal Awards Expenditures.	Partially corrected. Reissued in the report to management.	Errors and omissions on the District's Schedule were significantly less than in 2015. Management is aware of these errors and will compare the Schedule to source documents.



# 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  
MARCH 14, 2017**