



OHIO AUDITOR OF STATE
KEITH FABER



**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY
JUNE 30, 2019**

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HENRY COUNTY
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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, the 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, 2019, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Patrick Henry Local School District, Henry County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General 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 and other post-employment benefit liabilities and pension and other post-employment benefit 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

February 28, 2020

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The discussion and analysis of Patrick Henry Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. 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 2019 are as follows:

In total, net position increased \$3,347,533, or 74 percent, from the prior fiscal year. Most of this increase is due to changes in the net pension/OPEB liability and the related deferred inflows/outflows.

General revenues were \$13,864,492 for fiscal year 2019, or 86 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 is the most significant fund.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2019. 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.

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

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.

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

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2019 and fiscal year 2018:

Table 1
Net Position

	Governmental Activities		
	2019	2018	Change
<u>Assets:</u>			
Current and Other Assets	\$21,422,505	\$17,788,718	\$3,633,787
Net OPEB Asset	636,541	0	636,541
Capital Assets, Net	19,300,502	18,589,828	710,674
Total Assets	41,359,548	36,378,546	4,981,002

(continued)

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		
	2019	2018	Change
<u>Deferred Outflows of Resources:</u>			
Pension	\$3,107,522	\$3,814,391	(\$706,869)
OPEB	194,429	170,609	23,820
Other Amounts	65,566	66,970	(1,404)
Total Deferred Outflows of Resources	<u>3,367,517</u>	<u>4,051,970</u>	<u>(684,453)</u>
<u>Liabilities:</u>			
Current and Other Liabilities	2,225,570	1,590,400	(635,170)
Long-Term Liabilities			
Pension	11,408,813	12,112,746	703,933
OPEB	1,326,101	2,813,734	1,487,633
Other Amounts	13,737,364	14,365,822	628,458
Total Liabilities	<u>28,697,848</u>	<u>30,882,702</u>	<u>2,184,854</u>
<u>Deferred Inflows of Resources:</u>			
Pension	720,870	467,617	(253,253)
OPEB	1,117,901	313,670	(804,231)
Other Amounts	6,327,974	4,251,588	(2,076,386)
Total Deferred Inflows of Resources	<u>8,166,745</u>	<u>5,032,875</u>	<u>(3,133,870)</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	6,805,929	6,126,753	679,176
Restricted	1,069,835	1,023,659	46,176
Unrestricted (Deficit)	(13,292)	(2,635,473)	2,622,181
Total Net Position	<u>\$7,862,472</u>	<u>\$4,514,939</u>	<u>\$3,347,533</u>

The net pension liability and net OPEB liability (asset) reported by the School District at June 30, 2019, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. 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 OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities 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/OPEB 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statements No. 68 and No. 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows.

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Pension/OPEB related changes noted in the above table reflect an overall decrease in deferred outflows and overall increase in deferred inflows. The increase in the net pension asset and decrease in the net pension/OPEB liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension/OPEB liability (asset).

Aside from the changes related to pension/OPEB, there were several other changes of note in the above table. The increase in current and other assets is due to a \$1.3 million increase in cash and cash equivalents due to an increase in property tax revenue in fiscal year 2019 as well as a \$2.3 increase in the property tax receivable as of fiscal year end. Both of these are related to the completion of a new natural gas pipeline running through the School District (note the \$29 million increase in the assessed valuation of public utility property in the notes to the financial statements). The increase in net capital assets as well as the investment in capital assets is due to current year additions in excess of annual depreciation. The increase in current and other liabilities is primarily due to contracts outstanding at fiscal year end for lighting improvements, repaving, and other ongoing projects. The decrease in other long-term liabilities represents scheduled debt retirement.

Table 2 reflects the change in net position for fiscal year 2019 and fiscal year 2018.

Table 2
Change in Net Position

	Governmental Activities		
	2019	2018	Change
<u>Revenues:</u>			
Program Revenues			
Charges for Services	\$1,107,418	\$1,135,730	(\$28,312)
Operating Grants and Contributions	1,079,014	1,165,405	(86,391)
Total Program Revenues	<u>2,186,432</u>	<u>2,301,135</u>	<u>(114,703)</u>
General Revenues			
Property Taxes	6,046,727	4,586,050	1,460,677
Income Taxes	2,168,220	2,108,067	60,153
Grants and Entitlements	5,210,640	5,145,060	65,580
Interest	200,029	103,412	96,617
Gifts and Donations	3,361	4,179	(818)
Miscellaneous	235,515	137,453	98,062
Total General Revenues	<u>13,864,492</u>	<u>12,084,221</u>	<u>1,780,271</u>
Total Revenues	<u>16,050,924</u>	<u>14,385,356</u>	<u>1,665,568</u>

(continued)

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		
	2019	2018	Change
<u>Expenses:</u>			
Instruction:			
Regular	\$4,894,553	\$2,625,336	(\$2,269,217)
Special	1,784,148	1,159,428	(624,720)
Vocational	93,879	79,937	(13,942)
Support Services:			
Pupils	608,208	398,968	(209,240)
Instructional Staff	225,744	157,181	(68,563)
Board of Education	22,783	25,450	2,667
Administration	885,521	542,688	(342,833)
Fiscal	341,841	314,988	(26,853)
Business	105,734	94,356	(11,378)
Operation and Maintenance of Plant	1,132,627	950,826	(181,801)
Pupil Transportation	603,090	552,554	(50,536)
Central	525,334	475,543	(49,791)
Non-Instructional Services	411,926	364,048	(47,878)
Extracurricular Activities	554,506	424,381	(130,125)
Intergovernmental	5,233	5,387	154
Interest and Fiscal Charges	508,264	299,988	(208,276)
Total Expenses	<u>12,703,391</u>	<u>8,471,059</u>	<u>(4,232,332)</u>
Increase in Net Position	3,347,533	5,914,297	(2,566,764)
Net Position (Deficit) at Beginning of Year	4,514,939	(1,399,358)	5,914,297
Net Position at End of Year	<u>\$7,862,472</u>	<u>\$4,514,939</u>	<u>\$3,347,533</u>

The increase in total revenue is primarily due to the increase in property tax revenue resulting from the installation of a new natural gas pipeline within the School District. The increase in total expenses is due to the increase in pension/OPEB expense from the prior fiscal year.

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction:				
Regular	\$4,894,553	\$2,625,336	\$4,027,647	\$1,661,818
Special	1,784,148	1,159,428	1,137,729	504,324
Vocational	93,879	79,937	86,937	72,416
Support Services:				
Pupils	608,208	398,968	605,608	396,368
Instructional Staff	225,744	157,181	225,744	157,181
Board of Education	22,783	25,450	22,783	25,450
Administration	885,521	542,688	885,521	542,688
Fiscal	341,841	314,988	341,841	314,988
Business	105,734	94,356	105,734	94,356
Operation and Maintenance of Plant	1,132,627	950,826	1,132,627	950,826
Pupil Transportation	603,090	552,554	598,655	545,763
Central	525,334	475,543	519,934	470,143
Non-Instructional Services	411,926	364,048	20,672	(5,028)
Extracurricular Activities	554,506	424,381	292,030	133,256
Intergovernmental	5,233	5,387	5,233	5,387
Interest and Fiscal Charges	508,264	299,988	508,264	299,988
Total Expenses	<u>\$12,703,391</u>	<u>\$8,471,059</u>	<u>\$10,516,959</u>	<u>\$6,169,924</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Instruction costs are partially offset by tuition and fees and grants restricted for various instruction purposes. Non-instructional services costs are supported by cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting.

Fund balance increased almost 3 percent in the General Fund, which was not a significant change. However, there was a 12 percent increase in revenues (primarily property tax revenue as discussed previously). Expenditures increased 7 percent with modest increases in most programs (with salary and benefit increases making up a significant portion of this increase).

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 2019, the School District amended its General Fund budget as needed. For revenues, the most significant change from the original budget to the final budget was due to the increase in property taxes with the installation of the natural gas pipeline. There was also a revision in the estimates for income taxes, State provided resources, and student tuition and fees. Changes from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget were not significant; savings from the final budget to actual expenditures were generally due to conservative budgeting.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the School District had \$19,300,502 invested in capital assets (net of accumulated depreciation). Additions included new lighting in school buildings, an HVAC, bus garage paving, miscellaneous equipment, and a vehicle. There were no disposals. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At June 30, 2019, the School District had outstanding general obligation bonds, in the amount of \$3,342,354, and certificates of participation, in the amount of \$9,551,830. In addition, the School District's long-term obligations include the net pension/OPEB liability, capital leases, and compensated absences. For further information regarding the School District's long-term obligations, refer to Notes 17 and 18 to the basic financial statements.

Patrick Henry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Current Issues

The School District's current five-year forecast indicates the School District is in a sound financial position throughout fiscal years 2020 through 2024. In 2016, 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. In 2015, they voted to reduce the emergency levy to 3.33 mills for three years to offset an over collection but increased the millage to 3.8 mills in 2018. This levy was renewed in November 2018 for another three years. It is being over collected on again so the millage will be reduced to offset the first year of over collection.

During fiscal year 2015, the School District issued \$9,000,000 in new debt to finance a building project. The School District brought the satellite elementary schools to the main campus by constructing additional classrooms to the existing structure, along with erecting a new field house and auxiliary gymnasium. All contracted obligations have been fulfilled; however, due to one final change order, the School District received a credit resulting in additional money to be spent. The remaining funds will be used in 2020 for final touches to the campus. The School District will be issuing new debt again in fiscal year 2020 to renovate the existing high school and complete other projects on campus.

At the beginning of fiscal year 2020, the School District negotiated a new three-year contract for both certified and classified employees. Both unions received a 3 percent increase each of the three years. 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.

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Patrick Henry Local School District
Statement of Net Position
June 30, 2019

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$13,176,434
Accounts Receivable	20,983
Accrued Interest Receivable	13,664
Intergovernmental Receivable	197,076
Income Taxes Receivable	868,387
Prepaid Items	12,735
Inventory Held for Resale	2,346
Materials and Supplies Inventory	1,036
Property Taxes Receivable	7,129,844
Net OPEB Asset	636,541
Nondepreciable Capital Assets	1,684,782
Depreciable Capital Assets, Net	17,615,720
Total Assets	41,359,548
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	65,566
Pension	3,107,522
OPEB	194,429
Total Deferred Outflows of Resources	3,367,517
<u>Liabilities:</u>	
Accounts Payable	72,504
Contracts Payable	663,778
Accrued Wages and Benefits Payable	1,227,715
Intergovernmental Payable	222,658
Accrued Interest Payable	38,915
Long-Term Liabilities:	
Due Within One Year	443,678
Due in More Than One Year	
Net Pension Liability	11,408,813
Net OPEB Liability	1,326,101
Other Amounts Due in More Than One Year	13,293,686
Total Liabilities	28,697,848
<u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	6,327,974
Pension	720,870
OPEB	1,117,901
Total Deferred Inflows of Resources	8,166,745
<u>Net Position:</u>	
Net Investment in Capital Assets	6,805,929
Restricted For:	
Capital Projects	529,181
Classroom Facilities	291,239
Athletics and Music	138,370
Other Purposes	111,045
Unrestricted (Deficit)	(13,292)
Total Net Position	\$7,862,472

See Accompanying Notes to Basic Financial Statements

Patrick Henry Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Program Revenues	
Expenses	Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>		
Instruction:		
Regular	\$4,894,553	\$625,201
Special	1,784,148	71,080
Vocational	93,879	2,976
Support Services:		
Pupils	608,208	0
Instructional Staff	225,744	0
Board of Education	22,783	0
Administration	885,521	0
Fiscal	341,841	0
Business	105,734	0
Operation and Maintenance of Plant	1,132,627	0
Pupil Transportation	603,090	0
Central	525,334	0
Non-Instructional Services	411,926	199,667
Extracurricular Activities	554,506	208,494
Intergovernmental	5,233	0
Interest and Fiscal Charges	508,264	0
Total Governmental Activities	\$12,703,391	\$1,107,418

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
Gifts and Donations
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

Governmental
Activities

(\$4,027,647)
(1,137,729)
(86,937)

(605,608)
(225,744)
(22,783)
(885,521)
(341,841)
(105,734)
(1,132,627)
(598,655)
(519,934)
(20,672)
(292,030)
(5,233)
(508,264)

(10,516,959)

5,329,079
96,114
342,385
279,149
2,168,220
5,210,640
200,029
3,361
235,515

13,864,492

3,347,533

4,514,939

\$7,862,472

Patrick Henry Local School District
Balance Sheet
Governmental Funds
June 30, 2019

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$10,809,478	\$2,366,956	\$13,176,434
Accounts Receivable	20,983	0	20,983
Accrued Interest Receivable	13,664	0	13,664
Interfund Receivable	21,375	0	21,375
Intergovernmental Receivable	122,654	74,422	197,076
Income Taxes Receivable	868,387	0	868,387
Prepaid Items	12,432	303	12,735
Inventory Held for Resale	0	2,346	2,346
Materials and Supplies Inventory	0	1,036	1,036
Property Taxes Receivable	6,402,042	727,802	7,129,844
Total Assets	<u>18,271,015</u>	<u>3,172,865</u>	<u>21,443,880</u>
<u>Liabilities:</u>			
Accounts Payable	\$59,203	\$13,301	\$72,504
Contracts Payable	158,901	504,877	663,778
Accrued Wages and Benefits Payable	1,194,561	33,154	1,227,715
Interfund Payable	0	21,375	21,375
Intergovernmental Payable	217,380	5,278	222,658
Total Liabilities	<u>1,630,045</u>	<u>577,985</u>	<u>2,208,030</u>
<u>Deferred Inflows of Resources:</u>			
Property Taxes Receivable	5,696,394	631,580	6,327,974
Unavailable Revenue	445,338	35,174	480,512
Total Deferred Inflows of Resources	<u>6,141,732</u>	<u>666,754</u>	<u>6,808,486</u>
<u>Fund Balances:</u>			
Nonspendable	12,432	1,339	13,771
Restricted	0	1,534,595	1,534,595
Committed	0	392,368	392,368
Assigned	784,392	0	784,392
Unassigned (Deficit)	9,702,414	(176)	9,702,238
Total Fund Balances	<u>10,499,238</u>	<u>1,928,126</u>	<u>12,427,364</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$18,271,015</u>	<u>\$3,172,865</u>	<u>\$21,443,880</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, 2019

Total Governmental Fund Balances		\$12,427,364
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		19,300,502
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		
Accounts Receivable	20,511	
Accrued Interest Receivable	3,101	
Intergovernmental Receivable	22,379	
Income Taxes Receivable	136,885	
Delinquent Property Taxes Receivable	297,636	
		480,512
<p>Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.</p>		65,566
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Accrued Interest Payable	(38,915)	
General Obligation Bonds Payable	(3,342,354)	
Certificates of Participation Payable	(9,551,830)	
Capital Leases Payable	(86,198)	
Compensated Absences Payable	(756,982)	
		(13,776,279)
<p>The net OPEB asset, net pension liability, and net OPEB liability are not due and payable in the current period, therefore, the asset, liability, and related deferred outflows/inflows are not reported in the governmental funds.</p>		
Net OPEB Asset	636,541	
Deferred Outflows - Pension	3,107,522	
Deferred Inflows - Pension	(720,870)	
Net Pension Liability	(11,408,813)	
Deferred Outflows - OPEB	194,429	
Deferred Inflows - OPEB	(1,117,901)	
Net OPEB Liability	(1,326,101)	
		(10,635,193)
Net Position of Governmental Activities		\$7,862,472

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, 2019

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$5,236,002	\$705,539	\$5,941,541
Income Taxes	2,172,188	0	2,172,188
Intergovernmental	5,384,889	865,159	6,250,048
Interest	200,417	0	200,417
Tuition and Fees	694,792	0	694,792
Extracurricular Activities	11,004	196,601	207,605
Charges for Services	0	199,667	199,667
Gifts and Donations	3,361	53,982	57,343
Miscellaneous	142,507	70,629	213,136
Total Revenues	<u>13,845,160</u>	<u>2,091,577</u>	<u>15,936,737</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	5,334,409	192,393	5,526,802
Special	1,648,318	301,493	1,949,811
Vocational	92,874	0	92,874
Support Services:			
Pupils	650,226	5,540	655,766
Instructional Staff	205,495	1,911	207,406
Board of Education	22,478	0	22,478
Administration	917,358	6,903	924,261
Fiscal	330,711	10,252	340,963
Business	101,871	0	101,871
Operation and Maintenance of Plant	921,355	190,400	1,111,755
Pupil Transportation	520,660	185	520,845
Central	482,630	5,400	488,030
Non-Instructional Services	0	419,995	419,995
Extracurricular Activities	303,877	286,165	590,042
Capital Outlay	166,735	836,782	1,003,517
Intergovernmental	5,233	0	5,233
Debt Service:			
Principal Retirement	83,900	451,334	535,234
Interest and Fiscal Charges	4,661	473,109	477,770
Interest on Capital Appreciation Bonds	0	155,000	155,000
Total Expenditures	<u>11,792,791</u>	<u>3,336,862</u>	<u>15,129,653</u>
Excess of Revenues Over (Under) Expenditures	<u>2,052,369</u>	<u>(1,245,285)</u>	<u>807,084</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	0	1,910,915	1,910,915
Transfers Out	<u>(1,764,915)</u>	<u>(146,000)</u>	<u>(1,910,915)</u>
Total Other Financing Sources (Uses)	<u>(1,764,915)</u>	<u>1,764,915</u>	<u>0</u>
Changes in Fund Balances	287,454	519,630	807,084
Fund Balances Beginning of Year	<u>10,211,784</u>	<u>1,408,496</u>	<u>11,620,280</u>
Fund Balances End of Year	<u>\$10,499,238</u>	<u>\$1,928,126</u>	<u>\$12,427,364</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, 2019

Changes in Fund Balances - Total Governmental Funds \$807,084

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 exceeded depreciation in the current fiscal year.

Capital Outlay - Nondepreciable Capital Assets	1,093,682	
Capital Outlay - Depreciable Capital Assets	160,854	
Depreciation	<u>(543,862)</u>	710,674

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

Delinquent Property Taxes	105,186	
Income Taxes	(3,968)	
Intergovernmental	(14,376)	
Interest	(388)	
Tuition and Fees	5,354	
Miscellaneous	<u>22,379</u>	114,187

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

Loans	181,334	
General Obligation Bonds	150,000	
Certificates of Participation	120,000	
Capital Leases	<u>83,900</u>	535,234

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	960	
Annual Accretion on Capital Appreciation Bonds	(46,315)	
Payment of Accretion on Capital Appreciation Bonds	155,000	
Amortization of Premium	16,265	
Amortization of Deferred Charge on Refunding	<u>(1,404)</u>	124,506

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. (31,726)

(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, 2019
 (continued)

Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense on the statement of activities.

Pension	(\$1,130,105)
OPEB	1,305,742

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.

Pension	873,916
OPEB	<u>38,021</u>

Change in Net Position of Governmental Activities	<u><u>\$3,347,533</u></u>
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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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,019,400	\$5,175,930	\$5,161,387	(\$14,543)
Income Taxes	2,025,000	2,122,100	2,122,041	(59)
Intergovernmental	5,162,021	5,328,221	5,324,869	(3,352)
Interest	50,000	190,500	196,956	6,456
Tuition and Fees	611,250	730,290	694,320	(35,970)
Extracurricular Activities	9,530	11,045	11,004	(41)
Gifts and Donations	5,300	4,361	3,361	(1,000)
Miscellaneous	73,823	103,825	95,094	(8,731)
Total Revenues	<u>11,956,324</u>	<u>13,666,272</u>	<u>13,609,032</u>	<u>(57,240)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,333,420	5,499,654	5,337,231	162,423
Special	1,831,525	1,671,545	1,575,541	96,004
Vocational	75,000	94,000	92,874	1,126
Support Services:				
Pupils	627,745	676,305	650,647	25,658
Instructional Staff	215,198	232,709	223,168	9,541
Board of Education	25,075	28,825	22,473	6,352
Administration	872,986	986,155	913,384	72,771
Fiscal	353,114	366,605	329,247	37,358
Business	109,440	109,705	101,419	8,286
Operation and Maintenance of Plant	873,763	948,317	904,773	43,544
Pupil Transportation	606,895	672,676	603,767	68,909
Central	531,855	552,139	485,487	66,652
Non-Instructional Services	24,000	0	0	0
Extracurricular Activities	307,550	315,839	297,537	18,302
Capital Outlay	0	20,000	20,000	0
Total Expenditures	<u>11,787,566</u>	<u>12,174,474</u>	<u>11,557,548</u>	<u>616,926</u>
Excess of Revenues Over Expenditures	<u>168,758</u>	<u>1,491,798</u>	<u>2,051,484</u>	<u>559,686</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	50,500	50,500	47,413	(3,087)
Transfers Out	(445,873)	(1,765,868)	(1,764,915)	953
Total Other Financing Sources (Uses)	<u>(395,373)</u>	<u>(1,715,368)</u>	<u>(1,717,502)</u>	<u>(2,134)</u>
Changes in Fund Balance	(226,615)	(223,570)	333,982	557,552
Fund Balance Beginning of Year	10,453,412	10,453,412	10,453,412	0
Prior Year Encumbrances Appropriated	22,016	22,016	22,016	0
Fund Balance End of Year	<u>\$10,248,813</u>	<u>\$10,251,858</u>	<u>\$10,809,410</u>	<u>\$557,552</u>

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$6,181	\$61,084
<u>Liabilities:</u>		
Due to Students	0	\$61,084
<u>Net Position:</u>		
Held in Trust for Scholarships	4,482	
Endowment	1,699	
Total Net Position	\$6,181	

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
<u>Additions:</u>	
Interest	\$4
Gifts and Donations	3,199
Total Additions	3,203
 <u>Deductions:</u>	
Non-Instructional Services	4,888
Change in Net Position	(1,685)
Net Position Beginning of Year	7,866
Net Position End of Year	\$6,181

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 fifty classified employees, sixty-eight certified teaching personnel, and thirteen administrative employees who provide services to eight hundred seventy-nine students and other community members. The School District currently operates one instructional building.

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 three 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, Patrick Henry School District Public 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 only major governmental fund is the General Fund.

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

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 OPEB and explained in Notes 14 and 15 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, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 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. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Notes 14 and 15 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 fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

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

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

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 2019, investments consisted of nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board Statement No. 79, "Certain External Investment Pools and Pool Participants". The School District measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV that approximates fair value.

Note 2 - Summary of Significant Accounting Policies (continued)

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million requiring the excess amount to be transacted the following business day(s) but only to the \$100 million limit. All accounts of the participant will be combined for this purpose.

The Board of Education allocates interest according to State statute. Interest revenue credited to the General Fund during fiscal year 2019 was \$200,417, which includes \$33,138 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, 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.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

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	15 - 99 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.

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.

M. Accrued Liabilities and Long-Term Obligations

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

Note 2 - Summary of Significant Accounting Policies (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Long-term loans, general obligation bonds, certificates of participation, and capital leases are reported on the fund financial statements when due.

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.

Under Ohio law, premiums on the original issuance of debt are to be deposited in the Bond Retirement Fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to a bond escrow agent.

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

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.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated. The Board of Education has also assigned fund balance to cover a gap between estimated resources and appropriations in the fiscal year 2020 budget. Certain resources have been assigned 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.

Note 2 - Summary of Significant Accounting Policies (continued)

R. Pension/Postemployment Benefits

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pension/OPEB, pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB 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 2019, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 88, "Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements" and Statement No. 89, "Accounting for Interest Costs Incurred Before the End of a Construction Period".

GASB Statement No. 88 improves the information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 89 establishes accounting requirements for interest costs incurred before the end of a construction period. These changes were incorporated in the School District's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2019, the School District also implemented GASB Implementation Guide No. 2017-2. These changes were incorporated in the School District's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 4 - Accountability

A. Accountability

At June 30, 2019, the Title I and Title II-A special revenue funds had deficit fund balances, in the amount of \$144 and \$32, 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.

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	\$287,454
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2018, Received in Cash FY 2019	1,097,283
Accrued FY 2019, Not Yet Received in Cash	(1,285,998)
	(continued)

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 5 - Budgetary Basis of Accounting (continued)

Changes in Fund Balance (continued)	
Expenditure Accruals:	
Accrued FY 2018, Paid in Cash FY 2019	(\$1,373,651)
Accrued FY 2019, Not Yet Paid in Cash	1,630,045
Prepaid Items	292
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(21,443)
Budget Basis	\$333,982

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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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;

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 6 - Deposits and Investments (continued)

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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);
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) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 6 - Deposits and Investments (continued)

Investments

As of June 30, 2019, the net value per share of funds on deposit with STAR Ohio was \$6,962,015. The School District's investments in STAR Ohio have an average maturity of 53.3 days. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with interest rate or credit risk beyond the requirements of State statute. Ohio law requires STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 7 - Receivables

Receivables at June 30, 2019, 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.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Bureau of Workers' Compensation	\$23,001
Medicaid	84,090
Northwest Ohio ESC	15,563
Total General Fund	122,654
Other Governmental Funds	
High Schools That Work	4,664
Title I	5,685
Early Childhood Special Education	1,441
21 st Century	62,632
Total Other Governmental Funds	74,422
Total Governmental Activities	\$197,076

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.

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 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, 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 2019 represent the collection of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, 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, 2019, are available to finance fiscal year 2019 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, 2019, 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, 2019, was \$443,186 in the General Fund, \$26,085 in the Classroom Maintenance special revenue fund, \$29,549 in the Bond Retirement debt service fund, and \$5,414 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2018, was \$368,571 in the General Fund, \$25,839 in the Bond Retirement debt service fund, and \$24,441 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, 2019

Note 9 - Property Taxes (continued)

The assessed values upon which fiscal year 2019 taxes were collected are:

	2018 Second- Half Collections		2019 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$166,389,850	93.19%	\$166,339,000	80.15%
Industrial/Commercial	8,163,940	4.57	7,717,480	3.72
Public Utility Real	301,930	.17	311,270	.15
Public Utility Personal	3,688,770	2.07	33,164,970	15.98
Total Assessed Value	<u>\$178,544,490</u>	<u>100.00%</u>	<u>\$207,532,720</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.10		\$41.50	

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance at 6/30/18	Additions	Reductions	Balance at 6/30/19
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$591,100	\$0	\$0	\$591,100
Construction in Progress	0	1,093,682	0	1,093,682
Total Nondepreciable Capital Assets	<u>591,100</u>	<u>1,093,682</u>	<u>0</u>	<u>1,684,782</u>
Depreciable Capital Assets				
Land Improvements	739,121	6,695	0	745,816
Buildings and Building Improvements	20,932,144	15,675	0	20,947,819
Furniture, Fixtures, and Equipment	1,432,506	98,984	0	1,531,490
Vehicles	1,468,153	39,500	0	1,507,653
Total Depreciable Capital Assets	<u>24,571,924</u>	<u>160,854</u>	<u>0</u>	<u>24,732,778</u>

(continued)

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Capital Assets (continued)

	Balance at 6/30/18	Additions	Reductions	Balance at 6/30/19
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$424,234)	(\$19,642)	\$0	(\$443,876)
Buildings and Building Improvements	(4,090,874)	(353,540)	0	(4,444,414)
Furniture, Fixtures, and Equipment	(1,055,029)	(56,261)	0	(1,111,290)
Vehicles	(1,003,059)	(114,419)	0	(1,117,478)
Total Accumulated Depreciation	(6,573,196)	(543,862)	0	(7,117,058)
Depreciable Capital Assets, Net	17,998,728	(383,008)	0	17,615,720
Governmental Activities Capital Assets, Net	\$18,589,828	\$710,674	\$0	\$19,300,502

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$227,005
Special	16,042
Vocational	1,005
Support Services:	
Pupils	2,032
Instructional Staff	19,684
Administration	24,533
Fiscal	980
Operation and Maintenance of Plant	54,590
Pupil Transportation	126,089
Central	24,453
Non-Instructional Services	5,750
Extracurricular Activities	41,699
Total Depreciation Expense	<u>\$543,862</u>

Note 11 - Interfund Assets/Liabilities

At June 30, 2019, the General Fund had an interfund receivable from other governmental funds, in the amount of \$21,375, 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 2019, 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	43,789,417

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

For fiscal year 2019, 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.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 13 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2020 are as follows:

General Fund	\$21,443
Other Governmental Funds	145,028
Total	<u><u>\$166,471</u></u>

Note 14 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability (asset) represents the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation, including pension and OPEB.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 - Defined Benefit Pension Plans (continued)

GASB Statements No. 68 and No. 75 assume 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 pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB 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. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District nonteaching 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 under employers/audit resources.

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.

Note 14 - Defined Benefit Pension Plans (continued)

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning, April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three year COLA suspension is in effect for all benefit recipients for 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W not to exceed 2.5 percent and with a floor of 0 percent.

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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$225,146 for fiscal year 2019. Of this amount, \$38,250 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.

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.

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. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-seven years of service credit, or thirty years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty.

Note 14 - Defined Benefit Pension Plans (continued)

The DCP allows members to place all their member contributions and 9.53 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 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 after termination of employment at age fifty or later.

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 to 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, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2019 contribution rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$648,770 for fiscal year 2019. Of this amount, \$112,080 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, 2018, 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.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 - Defined Benefit Pension Plans (continued)

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	0.04753970%	0.03903293%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.04712250%</u>	<u>0.03961305%</u>	
Change in Proportionate Share	<u>0.00041720%</u>	<u>0.00058012%</u>	
Proportionate Share of the Net Pension Liability	\$2,698,793	\$8,710,020	\$11,408,813
Pension Expense	\$259,986	\$870,119	\$1,130,105

At June 30, 2019, 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>
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$148,012	\$201,054	\$349,066
Changes of Assumptions	60,945	1,543,579	1,604,524
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	38,688	241,328	280,016
School District Contributions Subsequent to the Measurement Date	<u>225,146</u>	<u>648,770</u>	<u>873,916</u>
Total Deferred Outflows of Resources	<u>\$472,791</u>	<u>\$2,634,731</u>	<u>\$3,107,522</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	\$0	\$56,881	\$56,881
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	74,775	528,166	602,941
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>14,580</u>	<u>46,468</u>	<u>61,048</u>
Total Deferred Inflows of Resources	<u>\$89,355</u>	<u>\$631,515</u>	<u>\$720,870</u>

\$873,916 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 - Defined Benefit Pension Plans (continued)

Fiscal Year Ended June 30,	SERS	STRS	Total
2020	\$221,063	\$780,447	\$1,001,510
2021	48,726	543,078	591,804
2022	(88,567)	125,800	37,233
2023	(22,932)	(94,879)	(117,811)
Total	<u>\$158,290</u>	<u>\$1,354,446</u>	<u>\$1,512,736</u>

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 terminations). 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, 2018, are presented below.

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 - Defined Benefit Pension Plans (continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Mortality among service retired members and beneficiaries were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates. Mortality among disabled members was based on the RP-2000 Disabled Mortality Table; 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00%	

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 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 (7.5 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 7.5 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 (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$3,801,453	\$2,698,793	\$1,774,286

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below.

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

Actuarial assumptions used in the July 1, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 - Defined Benefit Pension Plans (continued)

STRS' investment consultant develops an estimate range 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 Rate of Return *
Domestic Equity	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
	100.00%	

*10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a thirty year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. 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. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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 7.45 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current rate.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$12,719,838	\$8,710,020	\$5,316,254

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, 2019, 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

See Note 14 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of sixty-five and, therefore, enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by State statute. 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 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). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Note 15 - Postemployment Benefits (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; prorated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. 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 2019, the School District's surcharge obligation was \$29,682.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$38,021 for fiscal year 2019. Of this amount, \$31,099 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing health care plan for eligible retirees who participated in the defined benefit and combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at 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 discretionary 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, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to postemployment health care.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 15 - Postemployment Benefits (continued)

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	.04809760%	.03903293%	
Proportion of the Net OPEB Liability Current Measurement Date	.04780000%	.03961305%	
Change in Proportionate Share	<u>.00029760%</u>	<u>.00058012%</u>	
Proportionate Share of the Net OPEB Liability	\$1,326,101	\$0	\$1,326,101
Net OPEB Asset	\$0	\$636,541	\$636,541
OPEB Expense	\$64,180	(\$1,369,922)	(\$1,305,742)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$21,647	\$74,349	\$95,996
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	3,366	57,046	60,412
School District Contributions Subsequent to the Measurement Date	38,021	0	38,021
Total Deferred Outflows of Resources	<u>\$63,034</u>	<u>\$131,395</u>	<u>\$194,429</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	\$0	\$37,087	\$37,087
Changes of Assumptions	119,141	867,337	986,478
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,990	72,720	74,710
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	19,626	0	19,626
Total Deferred Inflows of Resources	<u>\$140,757</u>	<u>\$977,144</u>	<u>\$1,117,901</u>

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 15 - Postemployment Benefits (continued)

\$38,021 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

Fiscal Year Ended June 30,	SERS	STRS	Total
2020	(\$50,204)	(\$150,915)	(\$201,119)
2021	(40,076)	(150,915)	(190,991)
2022	(8,009)	(150,915)	(158,924)
2023	(7,162)	(134,400)	(141,562)
2024	(7,300)	(128,608)	(135,908)
2025	(2,993)	(129,996)	(132,989)
Total	(\$115,744)	(\$845,749)	(\$961,493)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74 as part of their annual actuarial valuation for each 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 terminations). Actuarially determined amounts are subject to continual review and potential modification 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.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 15 - Postemployment Benefits (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below.

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Measurement Date	3.7 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates and the RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates, set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.5 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 15 - Postemployment Benefits (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018, was 3.7 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2018, was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation Twenty-Year Municipal Bond Index Rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rate - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.7 percent) or one percentage point higher (4.7 percent) than the current discount rate (3.7 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.25 percent decreasing to 3.75 percent) and one percentage point higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.7%)	Current Discount Rate (3.7%)	1% Increase (4.7%)
School District's Proportionate Share of the Net OPEB Liability	\$1,609,119	\$1,326,101	\$1,102,004
	1% Decrease (6.25% Decreasing to 3.75%)	Current Trend Rate (7.25% Decreasing to 4.75%)	1% Increase (8.25% Decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	\$1,069,920	\$1,326,101	\$1,665,330

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 15 - Postemployment Benefits (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below.

Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 percent initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)". Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 15 - Postemployment Benefits (continued)

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the Health Care Fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer Twenty-Year Municipal Bond Rate of 3.58 percent for the unfunded benefit payments was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net OPEB Asset	\$545,575	\$636,541	\$712,994
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Asset	\$708,678	\$636,541	\$563,281

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.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 16 - Other Employee Benefits (continued)

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 fifty 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-two and one-half 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.

Note 17 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2019 were as follows:

	Balance at 6/30/18	Additions	Reductions	Balance at 6/30/19	Amounts Due Within One Year
Governmental Activities					
FY07 Loan Payable 4.4%	\$181,334	\$0	\$181,334	\$0	\$0
General Obligation Bonds					
FY 2007 School Facilities Construction and Improvement Refunding					
Capital Appreciation Bonds	285,000	0	100,000	185,000	95,000
Accretion on Capital Appreciation Bonds	405,876	46,315	155,000	297,191	0
Premium	15,656	0	5,493	10,163	0
FY 2017 School Facilities Construction and Improvement Refunding					
Term Bonds 3.65 - 2.24%	2,900,000	0	50,000	2,850,000	50,000
Total General Obligation Bonds	3,606,532	46,315	310,493	3,342,354	145,000
FY 2015 Certificates of Participation					
Serial Certificates 2 - 4%	2,160,000	0	120,000	2,040,000	125,000
Term Certificates 3.65 - 4.13%	6,725,000	0	0	6,725,000	0
Premium	797,602	0	10,772	786,830	0
Total Certificates of Participation	9,682,602	0	130,772	9,551,830	125,000

(continued)

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 17 - Long-Term Obligations (continued)

	Balance at 6/30/18	Additions	Reductions	Balance at 6/30/19	Amounts Due Within One Year
Governmental Activities (continued)					
Net Pension Liability					
SERS	\$2,840,391	\$0	\$141,598	\$2,698,793	\$0
STRS	9,272,355	0	562,335	8,710,020	0
Total Net Pension Liability	12,112,746	0	703,933	11,408,813	0
Net OPEB Liability					
SERS	1,290,813	35,288	0	1,326,101	0
STRS	1,522,921	0	1,522,921	0	0
Total Net OPEB Liability	2,813,734	35,288	1,522,921	1,326,101	0
Capital Leases Payable	170,098	0	83,900	86,198	86,198
Compensated Absences Payable	725,256	35,193	3,467	756,982	87,480
Total Governmental Activities Long-Term Liabilities	\$29,292,302	\$116,796	\$2,936,820	\$26,472,278	\$443,678

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 was fully retired in fiscal year 2019.

FY 2007 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 included serial, term, and capital appreciation bonds. The bonds were issued for a twenty-three year period, with final maturity in fiscal year 2031. During fiscal year 2017, all of the serial and term bonds were refunded.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds mature on December 1, 2017, December 1, 2018, December 1, 2019, December 1, 2020, and December 1, 2021, in the amount of \$245,000, \$255,000, \$260,000, and \$260,000, respectively. For fiscal year 2019, \$46,315 was accreted and \$155,000 was retired on the capital appreciation bonds for a total bond value of \$482,191 at fiscal year end.

FY 2017 School Facilities Construction and Improvement Refunding Bonds - On April 11, 2017, the School District issued general obligation bonds, in the amount of \$2,915,000, to currently refund a portion of the FY 2007 School Facilities Construction and Improvement Refunding Bonds. The refunding bond issue consists of term bonds, in the original amount of \$2,915,000. The bonds were issued for a thirteen fiscal year period, with final maturity in fiscal year 2030. The bonds are being retired through the Bond Retirement debt service fund.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 17 - Long-Term Obligations (continued)

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

<u>Year</u>	<u>Amount</u>
2019	\$50,000
2020	55,000
2021	305,000
2022	300,000
2023	305,000
2024	315,000
2025	325,000
2026	330,000
2027	335,000
2028	345,000

The remaining principal, in the amount of \$185,000, will be paid at stated maturity on December 1, 2029.

FY 2015 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.

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:

<u>Year</u>	<u>Amount</u>
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:

<u>Year</u>	<u>Amount</u>
2033	\$365,000

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 17 - Long-Term Obligations (continued)

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:

<u>Year</u>	<u>Amount</u>
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.

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.

Net Pension/OPEB Liability - There is no repayment schedule for the net pension/OPEB liability; however, employer pension/OPEB contributions are made from the General Fund and the Food Service special revenue fund. For additional information related to the net pension/OPEB liability, see Notes 14 and 15 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 and Title I special revenue funds.

The School District's overall debt margin was \$4,397,939 with an unvoted debt margin of \$174,368 at June 30, 2019.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 17 - Long-Term Obligations (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2019, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			
	Term	Capital	Interest	Total
2020	\$50,000	\$95,000	\$228,280	\$373,280
2021	55,000	90,000	232,092	377,092
2022	305,000	0	58,072	363,072
2023	300,000	0	51,296	351,296
2024	305,000	0	44,520	349,520
2025-2029	1,650,000	0	114,688	1,764,688
2030	185,000	0	2,072	187,072
	<u>\$2,850,000</u>	<u>\$185,000</u>	<u>\$731,020</u>	<u>\$3,766,020</u>

Fiscal Year Ending June 30,	Certificates of Participation			
	Serial	Term	Interest	Total
2020	\$125,000	\$0	\$401,888	\$526,888
2021	135,000	0	398,612	533,612
2022	140,000	0	394,488	534,488
2023	200,000	0	389,387	589,387
2024	210,000	0	383,237	593,237
2025-2029	1,230,000	0	1,792,936	3,022,936
2030-2034	0	1,630,000	1,480,445	3,110,445
2035-2039	0	2,180,000	1,014,250	3,194,250
2040-2044	0	2,915,000	380,625	3,295,625
	<u>\$2,040,000</u>	<u>\$6,725,000</u>	<u>\$6,635,868</u>	<u>\$15,400,868</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 2019 were \$83,900.

	Governmental Activities
Vehicles	<u>\$340,320</u>
Less Accumulated Depreciation	<u>(124,076)</u>
Carrying Value at June 30, 2019	<u>\$216,244</u>

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 18 - Capital Leases - Lessee Disclosure (control)

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, 2019.

Year	Governmental Activities	
	Principal	Interest
2020	\$86,198	\$2,362

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	Other Governmental	Total Governmental Funds
Nonspendable for:			
Prepaid Items	\$12,432	\$303	\$12,735
Materials and Supplies			
Inventory	0	1,036	1,036
Total Nonspendable	12,432	1,339	13,771
Restricted for:			
Athletics and Music	0	138,370	138,370
Building Construction	0	13,433	13,433
Debt Retirement	0	504,841	504,841
Facilities Maintenance	0	291,239	291,239
Food Service Operations	0	20,486	20,486
Permanent Improvements	0	513,142	513,142
Regular Instruction	0	53,084	53,084
Total Restricted	0	1,534,595	1,534,595
Committed for:			
Capital Projects	0	392,368	392,368
Assigned for:			
Educational Activities	68,199	0	68,199
Projected Budget Shortage	695,998	0	695,998
Unpaid Obligations	20,195	0	20,195
Total Assigned	784,392	0	784,392
Unassigned (Deficit)	9,702,414	(176)	9,702,238
Total Fund Balance	\$10,499,238	\$1,928,126	\$12,427,364

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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 set aside for capital improvements during fiscal year 2019.

Balance June 30, 2018	\$0
Current Year Set Aside Requirement	158,947
Current Year Offsets	<u>(158,947)</u>
Reserve Balance June 30, 2019	<u><u>\$0</u></u>

Note 21 - Interfund Transfers

During fiscal year 2019, the General Fund made transfers to other governmental funds, in the amount of \$1,764,915, as debt payments came due and for capital projects. Other governmental funds made transfers to other governmental funds, in the amount of \$146,000, as debt payments came due.

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 \$4,482 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 2019, the School District paid \$53,009 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.

Note 24 - Related Organization

The Patrick Henry School District Public 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 Patrick Henry School District Public 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.

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, 2019.

Patrick Henry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 26 - Contingencies (continued)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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.

The School District's August 23 and December 13, 2019, foundation settlement receipts included the FTE adjustments for fiscal year 2019. For the School District, this resulted in a total increase of \$72. This amount is not material to the financial statements and is not included in the financial statements as of June 30, 2019.

C. Litigation

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

Note 27 - Subsequent Event

On December 12, 2019, the School District issued Certificates of Participation, in the amount of \$24,510,000 to refund the fiscal year 2015 Certificates of Participation and to acquire, construct, improve, furnish, and equip additional 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 2050.

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 Six Fiscal Years (1)

	2019	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.04712250%	0.04753970%	0.04707810%	0.04510470%
School District's Proportionate Share of the Net Pension Liability	\$2,698,793	\$2,840,391	\$3,445,683	\$2,573,718
School District's Employee Payroll	\$1,594,696	\$1,515,707	\$1,507,907	\$1,362,049
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	169.24%	187.40%	228.51%	188.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

<u>2015</u>	<u>2014</u>
0.04440500%	0.04440500%
\$2,247,312	\$2,640,623
\$1,135,160	\$1,099,763
197.97%	240.11%
71.70%	65.52%

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 Six Fiscal Years (1)

	2019	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.03961305%	0.03903293%	0.03808750%	0.03840519%
School District's Proportionate Share of the Net Pension Liability	\$8,710,020	\$9,272,355	\$12,746,775	\$10,614,071
School District's Employee Payroll	\$4,499,107	\$4,339,564	\$4,042,800	\$3,985,107
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	193.59%	213.67%	315.30%	266.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

<u>2015</u>	<u>2014</u>
0.03849641%	0.03849641%
\$9,363,660	\$11,153,930
\$3,959,415	\$3,974,562
236.49%	280.63%
74.70%	69.30%

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

	2018	2018	2017
School District's Proportion of the Net OPEB Liability	0.04780000%	0.04809760%	0.04764460%
School District's Proportionate Share of the Net OPEB Liability	\$1,326,101	\$1,290,813	\$1,358,047
School District's Employee Payroll	\$1,594,696	\$1,515,707	\$1,507,907
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	83.16%	85.16%	90.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.03961305%	0.03903293%	0.03808075%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$636,541)	\$1,522,921	\$2,036,568
School District's Employee Payroll	\$4,499,107	\$4,339,564	\$4,042,800
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-14.15%	35.09%	50.38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability				
Contractually Required Contribution	\$225,146	\$215,284	\$212,199	\$211,107
Contributions in Relation to the Contractually Required Contribution	<u>(225,146)</u>	<u>(215,284)</u>	<u>(212,199)</u>	<u>(211,107)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$1,667,748	\$1,594,696	\$1,515,707	\$1,507,907
Contributions as a Percentage of Employee Payroll	13.50%	13.50%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	\$38,021	\$33,731	\$25,547	\$23,834
Contributions in Relation to the Contractually Required Contribution	<u>(38,021)</u>	<u>(33,731)</u>	<u>(25,547)</u>	<u>(23,834)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	<u>2.28%</u>	<u>2.12%</u>	<u>1.69%</u>	<u>1.58%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>15.78%</u>	<u>15.62%</u>	<u>15.69%</u>	<u>15.58%</u>

(1) The School District's covered payroll is the same for Pension and OPEB

(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$179,518	\$157,333	\$152,207	\$150,520	\$213,863	\$147,512
<u>(179,518)</u>	<u>(157,333)</u>	<u>(152,207)</u>	<u>(150,520)</u>	<u>(213,863)</u>	<u>(147,512)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,362,049	\$1,135,160	\$1,099,763	\$1,119,110	\$1,701,380	\$1,089,452
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
\$34,916	\$23,872	\$22,450	\$24,701	\$44,907	\$26,510
<u>(34,916)</u>	<u>(23,872)</u>	<u>(22,450)</u>	<u>(24,701)</u>	<u>(44,907)</u>	<u>(26,510)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2.56%</u>	<u>2.10%</u>	<u>2.04%</u>	<u>2.21%</u>	<u>2.64%</u>	<u>2.43%</u>
<u>15.74%</u>	<u>15.96%</u>	<u>15.88%</u>	<u>15.66%</u>	<u>15.21%</u>	<u>15.97%</u>

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability				
Contractually Required Contribution	\$648,770	\$629,875	\$607,539	\$565,992
Contributions in Relation to the Contractually Required Contribution	<u>(648,770)</u>	<u>(629,875)</u>	<u>(607,539)</u>	<u>(565,992)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$4,634,071	\$4,499,107	\$4,339,564	\$4,042,800
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See Accompanying Notes to the Required Supplementary Information

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$557,915	\$514,724	\$516,693	\$508,460	\$543,836	\$575,802
<u>(557,915)</u>	<u>(514,724)</u>	<u>(516,693)</u>	<u>(508,460)</u>	<u>(543,836)</u>	<u>(575,802)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,985,107	\$3,959,415	\$3,974,562	\$3,911,231	\$4,183,354	\$4,429,246
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$0	\$39,594	\$39,746	\$39,112	\$41,834	\$44,292
<u>0</u>	<u>(39,594)</u>	<u>(39,746)</u>	<u>(39,112)</u>	<u>(41,834)</u>	<u>(44,292)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Patrick Henry Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Net Pension Liability

Changes in Assumptions - SERS

Beginning with fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below.

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, Including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

Changes in Assumptions - STRS

Beginning in fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below.

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	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

Patrick Henry Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Net OPEB Liability

Changes in Assumptions - SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below.

Municipal Bond Index Rate	
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions - STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)", and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

Patrick Henry Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Changes in Benefit Terms - STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

OHIO AUDITOR OF STATE KEITH FABER



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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, the 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, 2019, 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 28, 2020.

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 opinion 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 28, 2020

OHIO AUDITOR OF STATE KEITH FABER



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 19, 2020**