



Dave Yost • Auditor of State



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Patrick Henry Local School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Patrick Henry Local School District, Henry County, Ohio, as of June 30, 2015, 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.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 31, 2016

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Patrick Henry Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited

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The discussion and analysis of Patrick Henry Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

In total, net position increased \$2,149,072 from the prior fiscal year.

General revenues were \$12,189,275 for fiscal year 2015, or 85 percent of all revenues, and reflect the School District's significant dependence on property taxes and income taxes as well as unrestricted state entitlements.

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

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

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

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

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

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2015. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Patrick Henry Local School District  
Management's Discussion and Analysis  
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Unaudited

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

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

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

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

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2015 and fiscal year 2014:

|  | Table 1<br>Net Position |                                    |              |
|--|-------------------------|------------------------------------|--------------|
|  | 2015                    | Governmental<br>Activities<br>2014 | Change       |
| <u>Assets:</u>                         |                         |                                    |              |
| Current and Other Assets               | \$22,429,212            | \$10,636,608                       | \$11,792,604 |
| Capital Assets, Net                    | 12,330,264              | 11,782,483                         | 547,781      |
| Total Assets                           | 34,759,476              | 22,419,091                         | 12,340,385   |
| <u>Deferred Outflows of Resources,</u> |                         |                                    |              |
| Pension                                | 846,706                 | 689,095                            | 157,611      |
| Other Amounts                          | 9,541                   | 10,065                             | (524)        |
| Total Deferred Outflows of Resources   | 856,247                 | 699,160                            | 157,087      |

(continued)

Patrick Henry Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited

Table 1  
Net Position  
(continued)

|                                      | Governmental<br>Activities |                      |                    |
|--------------------------------------|----------------------------|----------------------|--------------------|
|                                      | 2015                       | 2014                 | Change             |
| <u>Liabilities:</u>                  |                            |                      |                    |
| Current and Other Liabilities        | \$1,977,725                | \$1,218,969          | (\$758,756)        |
| Long-Term Liabilities                |                            |                      |                    |
| Pension                              | 11,610,972                 | 13,794,553           | 2,183,581          |
| Other Amounts                        | 15,392,862                 | 5,975,741            | (9,417,121)        |
| Total Liabilities                    | <u>28,981,559</u>          | <u>20,989,263</u>    | <u>(7,992,296)</u> |
| <u>Deferred Inflows of Resources</u> |                            |                      |                    |
| Pension                              | 2,097,057                  | 0                    | (2,097,057)        |
| Other Amounts                        | 3,814,064                  | 3,555,017            | (259,047)          |
| Total Deferred Inflows of Resources  | <u>5,911,121</u>           | <u>3,555,017</u>     | <u>(2,356,104)</u> |
| <u>Net Position:</u>                 |                            |                      |                    |
| Net Investment in Capital Assets     | 6,444,148                  | 7,137,523            | (693,375)          |
| Restricted                           | 1,862,055                  | 1,605,894            | 256,161            |
| Unrestricted (Deficit)               | (7,583,160)                | (10,169,446)         | 2,586,286          |
| Total Net Position (Deficit)         | <u>\$723,043</u>           | <u>(\$1,426,029)</u> | <u>\$2,149,072</u> |

During fiscal year 2015, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

Patrick Henry Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
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GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer as to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB Statement No. 68, the School District is reporting a net pension liability and deferred outflows/inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$11,679,429 to (\$1,426,029).

Note the significant increase in current and other assets reflected in the above table. During fiscal year 2015, the School District issued \$9 million in certificates of participation for building acquisition/construction. At the end of the fiscal year, there was \$7.9 million of these resources that had not been spent and reported as part of cash and cash equivalents. There was also a sizable increase in the receivable for property taxes. Property taxes are based on the assessed valuation of property. As reflected in the notes to the financial statements, property values increased over \$58 million from 2014 to 2015, primarily agricultural/residential property values. The increase in net capital assets was affected by both additional construction and annual depreciation. The increase in current and other liabilities is also largely due to construction activities and the related payables at fiscal year end. The increase in other long-term liabilities is related to the new debt issued during the fiscal year (\$9 million certificates of participation).

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Management's Discussion and Analysis  
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Unaudited

Table 2 reflects the change in net position for fiscal year 2015 and fiscal year 2014.

Table 2  
Change in Net Position

|   | Governmental<br>Activities |                      | Change             |
|---|----------------------------|----------------------|--------------------|
|   | 2015                       | 2014                 |                    |
| <u>Revenues:</u>                            |                            |                      |                    |
| Program Revenues                            |                            |                      |                    |
| Charges for Services                        | \$949,810                  | \$998,927            | (\$49,117)         |
| Operating Grants and Contributions          | 1,270,518                  | 1,233,292            | 37,226             |
| Capital Grants and Contributions            | 3,217                      | 0                    | 3,217              |
| Total Program Revenues                      | <u>2,223,545</u>           | <u>2,232,219</u>     | <u>(8,674)</u>     |
| General Revenues                            |                            |                      |                    |
| Property Taxes Levied for General Purposes  | 4,955,868                  | 3,567,128            | 1,388,740          |
| Income Taxes                                | 1,941,921                  | 2,127,521            | (185,600)          |
| Grants and Entitlements                     | 5,112,877                  | 4,894,109            | 218,768            |
| Interest                                    | 42,474                     | 7,103                | 35,371             |
| Gifts and Donations                         | 1,347                      | 50                   | 1,297              |
| Miscellaneous                               | 134,788                    | 358,508              | (223,720)          |
| Total General Revenues                      | <u>12,189,275</u>          | <u>10,954,419</u>    | <u>1,234,856</u>   |
| Total Revenues                              | <u>14,412,820</u>          | <u>13,186,638</u>    | <u>1,226,182</u>   |
| <u>Expenses:</u>                            |                            |                      |                    |
| Instruction:                                |                            |                      |                    |
| Regular                                     | 5,285,433                  | 5,271,018            | (14,415)           |
| Special                                     | 1,471,433                  | 1,451,730            | (19,703)           |
| Vocational                                  | 12,727                     | 34,966               | 22,239             |
| Support Services:                           |                            |                      |                    |
| Pupils                                      | 542,908                    | 523,878              | (19,030)           |
| Instructional Staff                         | 161,616                    | 71,247               | (90,369)           |
| Board of Education                          | 20,141                     | 21,514               | 1,373              |
| Administration                              | 763,859                    | 727,867              | (35,992)           |
| Fiscal                                      | 328,367                    | 372,031              | 43,664             |
| Business                                    | 88,363                     | 84,202               | (4,161)            |
| Operation and Maintenance of Plant          | 925,666                    | 1,066,199            | 140,533            |
| Pupil Transportation                        | 611,043                    | 695,783              | 84,740             |
| Central                                     | 366,402                    | 393,057              | 26,655             |
| Non-Instructional Services                  | 478,702                    | 477,241              | (1,461)            |
| Extracurricular Activities                  | 434,186                    | 465,111              | 30,925             |
| Intergovernmental                           | 5,813                      | 4,991                | (822)              |
| Interest and Fiscal Charges                 | 767,089                    | 376,322              | (390,767)          |
| Total Expenses                              | <u>12,263,748</u>          | <u>12,037,157</u>    | <u>(226,591)</u>   |
| Increase in Net Position                    | 2,149,072                  | 1,149,481            | 999,591            |
| Net Position (Deficit) at Beginning of Year | (1,426,029)                | N/A                  |                    |
| Net Position (Deficit) at End of Year       | <u>\$723,043</u>           | <u>(\$1,426,029)</u> | <u>\$2,149,072</u> |

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The information necessary to restate the fiscal year 2014 beginning balance and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$689,095 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the fiscal year 2015 statements report pension expense of \$493,298. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed.

|   |              |
|---|--------------|
| Total 2015 Program Expenses under GASB Statement No. 68 | \$12,263,748 |
| Pension Expense under GASB Statement No. 68             | (493,298)    |
| 2015 Contractually Required Contribution                | 737,433      |
| Adjusted 2015 Program Expenses                          | 12,507,883   |
| Total 2014 Program Expenses under GASB Statement No. 27 | (12,037,157) |
| Increase in Program Expenses not Related to Pension     | \$470,726    |

There was little change in overall program revenues from the prior fiscal year; however, general revenues increased 11 percent with the most significant change occurring in property taxes and resulting from a reevaluation of property. There was also an increase in unrestricted grants and entitlements due to an increase in State foundation funding.

Expenses increased approximately 4 percent overall but no one program stands out (general increases and decreases throughout the various programs).

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

Table 3  
Governmental Activities

|              | Total Cost of Services |             | Net Cost of Services |             |
|--------------|------------------------|-------------|----------------------|-------------|
|              | 2015                   | 2014        | 2015                 | 2014        |
| Instruction: |                        |             |                      |             |
| Regular      | \$5,285,433            | \$5,271,018 | \$4,459,036          | \$4,426,118 |
| Special      | 1,471,433              | 1,451,730   | 673,368              | 603,690     |
| Vocational   | 12,727                 | 34,966      | (2,213)              | 25,301      |
|              |                        |             |                      | (continued) |

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Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited

Table 3  
Governmental Activities  
(continued)

|                                    | Total Cost of<br>Services |                     | Net Cost of<br>Services |                    |
|------------------------------------|---------------------------|---------------------|-------------------------|--------------------|
|                                    | 2015                      | 2014                | 2015                    | 2014               |
| Support Services:                  |                           |                     |                         |                    |
| Pupils                             | \$542,908                 | \$523,878           | \$540,508               | \$518,423          |
| Instructional Staff                | 161,616                   | 71,247              | 161,616                 | 71,247             |
| Board of Education                 | 20,141                    | 21,514              | 20,141                  | 21,514             |
| Administration                     | 763,859                   | 727,867             | 763,859                 | 727,867            |
| Fiscal                             | 328,367                   | 372,031             | 328,367                 | 372,031            |
| Business                           | 88,363                    | 84,202              | 88,363                  | 84,202             |
| Operation and Maintenance of Plant | 925,666                   | 1,066,199           | 925,666                 | 1,066,199          |
| Pupil Transportation               | 611,043                   | 695,783             | 605,483                 | 689,696            |
| Central                            | 366,402                   | 393,057             | 359,202                 | 385,857            |
| Non-Instructional Services         | 478,702                   | 477,241             | 36,230                  | 92,941             |
| Extracurricular Activities         | 434,186                   | 465,111             | 307,675                 | 338,539            |
| Intergovernmental                  | 5,813                     | 4,991               | 5,813                   | 4,991              |
| Interest and Fiscal Charges        | 767,089                   | 376,322             | 767,089                 | 376,322            |
| Total Expenses                     | <u>\$12,263,748</u>       | <u>\$12,037,157</u> | <u>\$10,040,203</u>     | <u>\$9,804,938</u> |

As can be seen above, the dependence on general revenues for most programs is significant. Only several of the School District's programs receive a notable amount of program revenues to offset program costs. The special instruction program provides for 54 percent of its costs through program revenues largely from operating grants restricted for special instruction purposes. Program revenues in the non-instructional program include cafeteria sales and state and federal subsidies and donated commodities for food service operations. Program revenues in the extracurricular activities program include music and athletic fees, ticket sales, and gate receipts.

### The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance increased 73 percent in the General Fund. Revenues increased 15 percent, primarily due to an increase in property taxes, and expenditures decreased 3 percent.

### 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.

Patrick Henry Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited

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During fiscal year 2015, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget were not significant. Actual revenues were \$1.2 million more than anticipated due to the increase in property taxes and additional State funding. For expenditures, changes from the original budget to the final budget were not significant. Actual expenditures were less than final budgeted amounts in all programs due to conservative budgeting.

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

#### **Capital Assets**

At the end of fiscal year 2015, the School District had \$12,330,264 invested in capital assets (net of accumulated depreciation). The most significant addition was new construction. Disposals were minimal. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

#### **Debt**

At June 30, 2015, the School District had outstanding loans payable, in the amount of \$379,333, general obligation bonds, in the amount of \$4,429,254, and certificates of participation, in the amount of \$9,807,925. In addition, the School District's long-term obligations include the net pension liability, capital leases, and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

### **Current Issues**

The School District's current five-year forecast indicates the School District is in a sound financial position throughout fiscal years 2016 through 2020. The School District renewed the emergency levy in 2015.

During fiscal year 2015, the School District issued \$9,000,000 in new debt to finance a building project. The School District plans bring 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. The debt was issued at a premium of \$807,925. This amount was placed in the Bond Retirement Fund to be applied to future debt service.

The School District is in the third year of a three-year labor contract for both certified and classified employees. The School District has been using a traditional based bargaining model of negotiating successfully over the past decade or more.

Patrick Henry Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
Unaudited

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**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 Melissa Tope, 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, 2015

|  | Governmental<br>Activities |
|--|----------------------------|
| <u>Assets:</u>                             |                            |
| Equity in Pooled Cash and Cash Equivalents | \$16,778,334               |
| Accounts Receivable                        | 33,959                     |
| Accrued Interest Receivable                | 5,649                      |
| Intergovernmental Receivable               | 140,541                    |
| Income Taxes Receivable                    | 718,443                    |
| Inventory Held for Resale                  | 3,236                      |
| Materials and Supplies Inventory           | 1,497                      |
| Property Taxes Receivable                  | 4,747,553                  |
| Nondepreciable Capital Assets              | 1,663,402                  |
| Depreciable Capital Assets, Net            | 10,666,862                 |
| Total Assets                               | 34,759,476                 |
| <br><u>Deferred Outflows of Resources:</u> |                            |
| Deferred Charge on Refunding               | 9,541                      |
| Pension                                    | 846,706                    |
| Total Deferred Outflows of Resources       | 856,247                    |
| <br><u>Liabilities:</u>                    |                            |
| Accounts Payable                           | 69,270                     |
| Contracts Payable                          | 456,613                    |
| Accrued Wages and Benefits Payable         | 970,624                    |
| Intergovernmental Payable                  | 320,731                    |
| Matured Compensated Absences Payable       | 67,961                     |
| Retainage Payable                          | 46,802                     |
| Accrued Interest Payable                   | 45,724                     |
| Long-Term Liabilities:                     |                            |
| Due Within One Year                        | 401,675                    |
| Due in More Than One Year                  |                            |
| Net Pension Liability                      | 11,610,972                 |
| Other Amounts Due in More Than One Year    | 14,991,187                 |
| Total Liabilities                          | 28,981,559                 |
| <br><u>Deferred Inflows of Resources:</u>  |                            |
| Property Taxes Receivable                  | 3,814,064                  |
| Pension                                    | 2,097,057                  |
| Total Deferred Inflows of Resources        | 5,911,121                  |
| <br><u>Net Position:</u>                   |                            |
| Net Investment in Capital Assets           | 6,444,148                  |
| Restricted For:                            |                            |
| Capital Projects                           | 1,107,373                  |
| Classroom Facilities                       | 564,335                    |
| Athletics and Music                        | 140,737                    |
| Other Purposes                             | 49,610                     |
| Unrestricted (Deficit)                     | (7,583,160)                |
| Total Net Position                         | \$723,043                  |

See Accompanying Notes to Basic Financial Statements

Patrick Henry Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2015

|   | Program Revenues    |                         |                                       | Net (Expense) Revenue<br>and Change in<br>Net Position |                            |
|---|---------------------|-------------------------|---------------------------------------|--|----------------------------|
|   | Expenses            | Charges for<br>Services | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions                    | Governmental<br>Activities |
| <u>Governmental Activities:</u>                                 |                     |                         |                                       |  |                            |
| Instruction:  |                     |                         |                                       |  |                            |
| Regular   | \$5,285,433         | \$574,089               | \$249,091                             | \$3,217  | (\$4,459,036)              |
| Special   | 1,471,433           | 44,160                  | 753,905                               | 0  | (673,368)                  |
| Vocational  | 12,727              | 5,092                   | 9,848                                 | 0  | 2,213                      |
| Support Services:   |                     |                         |                                       |  |                            |
| Pupils  | 542,908             | 0                       | 2,400                                 | 0  | (540,508)                  |
| Instructional Staff   | 161,616             | 0                       | 0                                     | 0  | (161,616)                  |
| Board of Education  | 20,141              | 0                       | 0                                     | 0  | (20,141)                   |
| Administration  | 763,859             | 0                       | 0                                     | 0  | (763,859)                  |
| Fiscal  | 328,367             | 0                       | 0                                     | 0  | (328,367)                  |
| Business  | 88,363              | 0                       | 0                                     | 0  | (88,363)                   |
| Operation and Maintenance of Plant                              | 925,666             | 0                       | 0                                     | 0  | (925,666)                  |
| Pupil Transportation  | 611,043             | 3,964                   | 1,596                                 | 0  | (605,483)                  |
| Central   | 366,402             | 0                       | 7,200                                 | 0  | (359,202)                  |
| Non-Instructional Services                                      | 478,702             | 196,744                 | 245,728                               | 0  | (36,230)                   |
| Extracurricular Activities                                      | 434,186             | 125,761                 | 750                                   | 0  | (307,675)                  |
| Intergovernmental   | 5,813               | 0                       | 0                                     | 0  | (5,813)                    |
| Interest and Fiscal Charges                                     | 767,089             | 0                       | 0                                     | 0  | (767,089)                  |
| Total Governmental Activities                                   | <u>\$12,263,748</u> | <u>\$949,810</u>        | <u>\$1,270,518</u>                    | <u>\$3,217</u>   | <u>(10,040,203)</u>        |
| <br><u>General Revenues:</u>                                    |                     |                         |                                       |  |                            |
| Property Taxes Levied for General Purposes                      |                     |                         |                                       |  | 4,346,491                  |
| Property Taxes Levied for Classroom Facilities Purposes         |                     |                         |                                       |  | 41,642                     |
| Property Taxes Levied for Debt Service                          |                     |                         |                                       |  | 341,099                    |
| Property Taxes Levied for Permanent Improvements                |                     |                         |                                       |  | 226,636                    |
| Income Taxes Levied for General Purposes                        |                     |                         |                                       |  | 1,941,921                  |
| Grants and Entitlements not Restricted to Specific Programs     |                     |                         |                                       |  | 5,112,877                  |
| Interest  |                     |                         |                                       |  | 42,474                     |
| Gifts and Donations   |                     |                         |                                       |  | 1,347                      |
| Miscellaneous   |                     |                         |                                       |  | 134,788                    |
| Total General Revenues  |                     |                         |                                       |  | <u>12,189,275</u>          |
| Change in Net Position  |                     |                         |                                       |  | 2,149,072                  |
| Net Position (Deficit) at Beginning of Year - Restated (Note 3) |                     |                         |                                       |  | <u>(1,426,029)</u>         |
| Net Position End of Year  |                     |                         |                                       |  | <u>\$723,043</u>           |

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2015

|  | General             | Building           | Other<br>Governmental | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------|-----------------------|--------------------------------|
| <u>Assets:</u>   |                     |                    |                       |                                |
| Equity in Pooled Cash and Cash Equivalents                             | \$6,277,088         | \$8,447,081        | \$2,054,165           | \$16,778,334                   |
| Accounts Receivable  | 33,959              | 0                  | 0                     | 33,959                         |
| Accrued Interest Receivable  | 920                 | 4,729              | 0                     | 5,649                          |
| Interfund Receivable   | 24,421              | 0                  | 0                     | 24,421                         |
| Intergovernmental Receivable   | 14,167              | 0                  | 126,374               | 140,541                        |
| Income Taxes Receivable  | 718,443             | 0                  | 0                     | 718,443                        |
| Inventory Held for Resale  | 0                   | 0                  | 3,236                 | 3,236                          |
| Materials and Supplies Inventory                                       | 0                   | 0                  | 1,497                 | 1,497                          |
| Property Taxes Receivable  | 4,197,245           | 0                  | 550,308               | 4,747,553                      |
| Total Assets   | <u>\$11,266,243</u> | <u>\$8,451,810</u> | <u>\$2,735,580</u>    | <u>\$22,453,633</u>            |
| <u>Liabilities:</u>  |                     |                    |                       |                                |
| Accounts Payable   | \$68,134            | \$0                | \$1,136               | \$69,270                       |
| Contracts Payable  | 0                   | 456,613            | 0                     | 456,613                        |
| Accrued Wages and Benefits Payable                                     | 906,128             | 0                  | 64,496                | 970,624                        |
| Interfund Payable  | 0                   | 0                  | 24,421                | 24,421                         |
| Intergovernmental Payable  | 281,112             | 0                  | 39,619                | 320,731                        |
| Matured Compensated Absences Payable                                   | 67,961              | 0                  | 0                     | 67,961                         |
| Retainage Payable  | 0                   | 46,802             | 0                     | 46,802                         |
| Total Liabilities  | <u>1,323,335</u>    | <u>503,415</u>     | <u>129,672</u>        | <u>1,956,422</u>               |
| <u>Deferred Inflows of Resources:</u>                                  |                     |                    |                       |                                |
| Property Taxes Receivable  | 3,375,218           | 0                  | 438,846               | 3,814,064                      |
| Unavailable Revenue  | 269,736             | 2,537              | 53,408                | 325,681                        |
| Total Deferred Inflows of Resources                                    | <u>3,644,954</u>    | <u>2,537</u>       | <u>492,254</u>        | <u>4,139,745</u>               |
| <u>Fund Balances:</u>  |                     |                    |                       |                                |
| Nonspendable   | 0                   | 0                  | 1,497                 | 1,497                          |
| Restricted   | 0                   | 7,945,858          | 2,118,604             | 10,064,462                     |
| Assigned   | 53,486              | 0                  | 0                     | 53,486                         |
| Unassigned (Deficit)   | 6,244,468           | 0                  | (6,447)               | 6,238,021                      |
| Total Fund Balances  | <u>6,297,954</u>    | <u>7,945,858</u>   | <u>2,113,654</u>      | <u>16,357,466</u>              |
| Total Liabilities, Deferred Inflows of<br>Resources, and Fund Balances | <u>\$11,266,243</u> | <u>\$8,451,810</u> | <u>\$2,735,580</u>    | <u>\$22,453,633</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, 2015

Total Governmental Fund Balances \$16,357,466

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 12,330,264

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

|                                      |         |         |
|--------------------------------------|---------|---------|
| Accounts Receivable                  | 32,985  |         |
| Accrued Interest Receivable          | 2,540   |         |
| Intergovernmental Receivable         | 36,105  |         |
| Income Taxes Receivable              | 109,498 |         |
| Delinquent Property Taxes Receivable | 144,553 |         |
|                                      |         | 325,681 |

Deferred outflows of resources include deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds. 9,541

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

|                                       |             |              |
|---------------------------------------|-------------|--------------|
| Accrued Interest Payable              | (45,724)    |              |
| Loans Payable                         | (379,333)   |              |
| General Obligation Bonds Payable      | (4,429,254) |              |
| Certificates of Participation Payable | (9,807,925) |              |
| Capital Leases Payable                | (162,645)   |              |
| Compensated Absences Payable          | (613,705)   |              |
|                                       |             | (15,438,586) |

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

|                             |              |              |
|-----------------------------|--------------|--------------|
| Deferred Outflows - Pension | 846,706      |              |
| Deferred Inflows - Pension  | (2,097,057)  |              |
| Net Pension Liability       | (11,610,972) |              |
|                             |              | (12,861,323) |

Net Position of Governmental Activities \$723,043

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, 2015

|   | General            | Building           | Other<br>Governmental | Total<br>Governmental<br>Funds |
|---|--------------------|--------------------|-----------------------|--------------------------------|
| <u>Revenues:</u>                                |                    |                    |                       |                                |
| Property Taxes                                  | \$4,648,068        | \$0                | \$653,658             | \$5,301,726                    |
| Income Taxes                                    | 1,946,669          | 0                  | 0                     | 1,946,669                      |
| Intergovernmental                               | 5,346,936          | 0                  | 1,018,170             | 6,365,106                      |
| Interest  | 9,241              | 30,548             | 148                   | 39,937                         |
| Tuition and Fees                                | 644,046            | 0                  | 0                     | 644,046                        |
| Extracurricular Activities                      | 7,872              | 0                  | 115,421               | 123,293                        |
| Charges for Services                            | 0                  | 0                  | 196,744               | 196,744                        |
| Gifts and Donations                             | 1,347              | 0                  | 750                   | 2,097                          |
| Miscellaneous                                   | 65,960             | 0                  | 68,828                | 134,788                        |
| Total Revenues                                  | <u>12,670,139</u>  | <u>30,548</u>      | <u>2,053,719</u>      | <u>14,754,406</u>              |
| <u>Expenditures:</u>                            |                    |                    |                       |                                |
| Current:  |                    |                    |                       |                                |
| Instruction:                                    |                    |                    |                       |                                |
| Regular   | 4,827,754          | 0                  | 274,960               | 5,102,714                      |
| Special   | 1,103,997          | 0                  | 389,681               | 1,493,678                      |
| Vocational                                      | 12,267             | 0                  | 0                     | 12,267                         |
| Support Services:                               |                    |                    |                       |                                |
| Pupils  | 547,350            | 0                  | 0                     | 547,350                        |
| Instructional Staff                             | 168,276            | 0                  | 0                     | 168,276                        |
| Board of Education                              | 21,091             | 106                | 0                     | 21,197                         |
| Administration                                  | 796,340            | 5,000              | 11,007                | 812,347                        |
| Fiscal  | 345,056            | 3,221              | 15,148                | 363,425                        |
| Business  | 89,500             | 0                  | 0                     | 89,500                         |
| Operation and Maintenance of Plant              | 854,578            | 0                  | 82,327                | 936,905                        |
| Pupil Transportation                            | 471,526            | 0                  | 9,606                 | 481,132                        |
| Central   | 360,712            | 0                  | 0                     | 360,712                        |
| Non-Instructional Services                      | 0                  | 0                  | 461,600               | 461,600                        |
| Extracurricular Activities                      | 261,515            | 0                  | 157,177               | 418,692                        |
| Capital Outlay                                  | 0                  | 1,076,363          | 0                     | 1,076,363                      |
| Intergovernmental                               | 5,813              | 0                  | 0                     | 5,813                          |
| Debt Service:                                   |                    |                    |                       |                                |
| Principal Retirement                            | 78,764             | 0                  | 276,334               | 355,098                        |
| Interest and Fiscal Charges                     | 5,190              | 0                  | 697,315               | 702,505                        |
| Total Expenditures                              | <u>9,949,729</u>   | <u>1,084,690</u>   | <u>2,375,155</u>      | <u>13,409,574</u>              |
| Excess of Revenues Over<br>(Under) Expenditures | <u>2,720,410</u>   | <u>(1,054,142)</u> | <u>(321,436)</u>      | <u>1,344,832</u>               |
| <u>Other Financing Sources (Uses):</u>          |                    |                    |                       |                                |
| Certificates of Participation Issued            | 0                  | 9,000,000          | 0                     | 9,000,000                      |
| Premium on Certificates Issued                  | 0                  | 0                  | 807,925               | 807,925                        |
| Transfers In                                    | 0                  | 0                  | 61,291                | 61,291                         |
| Transfers Out                                   | (61,291)           | 0                  | 0                     | (61,291)                       |
| Total Other Financing Sources (Uses)            | <u>(61,291)</u>    | <u>9,000,000</u>   | <u>869,216</u>        | <u>9,807,925</u>               |
| Changes in Fund Balances                        | 2,659,119          | 7,945,858          | 547,780               | 11,152,757                     |
| Fund Balances Beginning of Year                 | 3,638,835          | 0                  | 1,565,874             | 5,204,709                      |
| Fund Balances End of Year                       | <u>\$6,297,954</u> | <u>\$7,945,858</u> | <u>\$2,113,654</u>    | <u>\$16,357,466</u>            |

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, 2015

Changes in Fund Balances - Total Governmental Funds \$11,152,757

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

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

|   |                  |         |
|---|------------------|---------|
| Capital Outlay - Depreciable Capital Assets | 1,175,259        |         |
| Capital Outlay - Capital Contributions      | 3,217            |         |
| Depreciation                                | <u>(626,655)</u> | 551,821 |

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities.

(4,040)

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

|                           |              |           |
|---------------------------|--------------|-----------|
| Delinquent Property Taxes | (345,858)    |           |
| Income Taxes              | (4,748)      |           |
| Intergovernmental         | 17,539       |           |
| Tuition and Fees          | (14,273)     |           |
| Interest                  | <u>2,537</u> | (344,803) |

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

|                          |               |         |
|--------------------------|---------------|---------|
| Loans                    | 76,334        |         |
| General Obligation Bonds | 200,000       |         |
| Capital Leases           | <u>78,764</u> | 355,098 |

Debt proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net position.

(9,807,925)

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                       | (33,153)     |          |
| Annual Accretion on Capital Appreciation Bonds | (41,894)     |          |
| Amortization of Premium                        | 10,987       |          |
| Amortization of Deferred Charge on Refunding   | <u>(524)</u> | (64,584) |

(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, 2015  
(continued)

|  |                           |
|--|---------------------------|
| 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. | \$66,613                  |
| Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities.                             | (493,298)                 |
| Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.            | <u>737,433</u>            |
| Change in Net Position of Governmental Activities  | <u><u>\$2,149,072</u></u> |

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, 2015

|  | Budgeted Amounts   |                    | Actual             | Variance with<br>Final Budget<br>Over<br>(Under) |
|--|--------------------|--------------------|--------------------|--|
|  | Original           | Final              |                    |  |
| <u>Revenues:</u>                       |                    |                    |                    |  |
| Property Taxes                         | \$3,171,100        | \$3,171,100        | \$4,064,896        | \$893,796  |
| Income Taxes                           | 1,939,293          | 1,939,293          | 1,967,178          | 27,885   |
| Intergovernmental                      | 5,103,800          | 5,103,800          | 5,349,336          | 245,536  |
| Interest                               | 6,400              | 6,400              | 8,659              | 2,259  |
| Tuition and Fees                       | 614,350            | 624,350            | 644,178            | 19,828   |
| Extracurricular Activities             | 20,000             | 10,000             | 9,125              | (875)  |
| Gifts and Donations                    | 1,000              | 2,750              | 1,347              | (1,403)  |
| Miscellaneous                          | 60,815             | 60,815             | 86,421             | 25,606   |
| Total Revenues                         | <u>10,916,758</u>  | <u>10,918,508</u>  | <u>12,131,140</u>  | <u>1,212,632</u>                                 |
| <u>Expenditures:</u>                   |                    |                    |                    |  |
| Current:                               |                    |                    |                    |  |
| Instruction:                           |                    |                    |                    |  |
| Regular                                | 4,985,660          | 4,964,474          | 4,809,174          | 155,300  |
| Special                                | 1,118,975          | 1,093,969          | 1,051,674          | 42,295   |
| Vocational                             | 83,000             | 77,000             | 12,267             | 64,733   |
| Support Services:                      |                    |                    |                    |  |
| Pupils                                 | 567,669            | 583,769            | 544,643            | 39,126   |
| Instructional Staff                    | 152,454            | 157,027            | 110,912            | 46,115   |
| Board of Education                     | 22,730             | 22,730             | 19,652             | 3,078  |
| Administration                         | 837,907            | 873,150            | 802,418            | 70,732   |
| Fiscal                                 | 348,258            | 360,878            | 341,933            | 18,945   |
| Business                               | 91,952             | 94,167             | 91,146             | 3,021  |
| Operation and Maintenance of Plant     | 867,088            | 874,727            | 833,984            | 40,743   |
| Pupil Transportation                   | 586,884            | 597,010            | 559,299            | 37,711   |
| Central                                | 394,809            | 404,276            | 359,570            | 44,706   |
| Non-Instructional Services             | 4,800              | 4,800              | 0                  | 4,800  |
| Extracurricular Activities             | 249,680            | 277,965            | 262,820            | 15,145   |
| Total Expenditures                     | <u>10,311,866</u>  | <u>10,385,942</u>  | <u>9,799,492</u>   | <u>586,450</u>                                   |
| Excess of Revenues Over Expenditures   | <u>604,892</u>     | <u>532,566</u>     | <u>2,331,648</u>   | <u>1,799,082</u>                                 |
| <u>Other Financing Sources (Uses):</u> |                    |                    |                    |  |
| Refund of Prior Year Expenditures      | 0                  | 0                  | 789                | 789  |
| Refund of Prior Year Receipts          | 0                  | (5,310)            | (11)               | 5,299  |
| Transfers Out                          | (61,291)           | (61,291)           | (61,291)           | 0  |
| Total Other Financing Sources (Uses)   | <u>(61,291)</u>    | <u>(66,601)</u>    | <u>(60,513)</u>    | <u>6,088</u>                                     |
| Changes in Fund Balance                | 543,601            | 465,965            | 2,271,135          | 1,805,170  |
| Fund Balance Beginning of Year         | 3,983,050          | 3,983,050          | 3,983,050          | 0  |
| Prior Year Encumbrances Appropriated   | 4,215              | 4,215              | 4,215              | 0  |
| Fund Balance End of Year               | <u>\$4,530,866</u> | <u>\$4,453,230</u> | <u>\$6,258,400</u> | <u>\$1,805,170</u>                               |

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2015

|  | Private Purpose<br>Trust | Agency   |
|--|--------------------------|----------|
| <u>Assets:</u>                             |                          |          |
| Equity in Pooled Cash and Cash Equivalents | \$9,418                  | \$56,887 |
| <u>Liabilities:</u>                        |                          |          |
| Due to Students                            | 0                        | \$56,887 |
| <u>Net Position:</u>                       |                          |          |
| Held in Trust for Scholarships             | 7,719                    |          |
| Endowment                                  | 1,699                    |          |
| Total Net Position                         | \$9,418                  |          |

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District  
Statement of Change in Fiduciary Net Position  
Private Purpose Trust Fund  
June 30, 2015

|                                | Private Purpose<br>Trust |
|--------------------------------|--------------------------|
| <u>Additions:</u>              |                          |
| Gifts and Donations            | \$2,658                  |
| <u>Deductions:</u>             |                          |
| Non-Instructional Services     | 4,343                    |
| Change in Net Position         | (1,685)                  |
| Net Position Beginning of Year | 11,103                   |
| Net Position End of Year       | \$9,418                  |

See Accompanying Notes to the Basic Financial Statements

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**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 seventy-five classified employees, one hundred nine certified teaching personnel, and eleven administrative employees who provide services to nine hundred seventy-three students and other community members. The School District currently operates three instructional buildings.

**Reporting Entity**

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

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

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

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

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

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

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

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

**Governmental Funds**

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

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

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

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

**Fiduciary Funds**

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

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

**D. Basis of Accounting**

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

**Revenues - Exchange and Nonexchange Transactions**

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

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

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources consists of property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 14 to the basic financial statements.

Expenses/Expenditures

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

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

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

**E. Budgetary Process**

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

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

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

**F. Cash and Investments**

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

During fiscal year 2015, investments consisted of negotiable and nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Investments are reported at fair value, which is based on quoted market price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2015.

The Board of Education allocates interest according to State statute. Interest revenue credited to the General Fund during fiscal year 2015 was \$9,241, which includes \$2,349 assigned from other School District funds.

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

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

**G. 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.

**H. 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 fair market value on the date donated. The School District maintains a capitalization threshold of two thousand five hundred dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

**I. 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.

**J. 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.

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

**K. Compensated Absences**

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

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

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

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

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

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

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

**M. 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.

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

**N. 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.

**O. Fund Balance Reserves**

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

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

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

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

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.

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.

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

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.

**P. Capital Contributions**

Capital contributions arise from outside contributions of capital assets.

**Q. Interfund Transactions**

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

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

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

**R. Pensions**

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

**S. Estimates**

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Note 3 - Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows and deferred inflows of resources, and pension expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported on June 30, 2014.

|   |                      |
|---|----------------------|
| Net Position June 30, 2014                                  | \$11,679,429         |
| Net Pension Liability                                       | (13,794,553)         |
| Deferred Outflows - Payments Subsequent to Measurement Date | 689,095              |
| Restated Net Position June 30, 2014                         | <u>(\$1,426,029)</u> |

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred outflows or deferred inflows of resources as the information needed to generate these restatements was not available.

**Note 4 - Accountability and Compliance**

**A. Accountability**

At June 30, 2015, the Title I and Title VI-R special revenue funds had deficit fund balances, in the amount of \$3,373 and \$3,074, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The House Bill 264 debt service fund had final appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2015, in the amount of \$43.

The OSFC Maintenance special revenue fund and the House Bill 264 debt service fund had expenditures in excess of appropriations for the fiscal year ended June 30, 2015, in the amount of \$2,846 and \$30,957, respectively.

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**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   | \$2,659,119 |
| <u>Increase (Decrease) Due To:</u>                         |             |
| Revenue Accruals:  |             |
| Accrued FY 2014, Received in Cash FY 2015                  | 781,973     |
| Accrued FY 2015, Not Yet Received in Cash                  | (1,319,780) |
| Expenditure Accruals:                                      |             |
| Accrued FY 2014, Paid in Cash FY 2015                      | (1,130,403) |
| Accrued FY 2015, Not Yet Paid in Cash                      | 1,323,335   |
| Cash Adjustments:  |             |
| Unrecorded Activity FY 2015                                | (403)       |
| Encumbrances Outstanding at Fiscal Year End (Budget Basis) | (42,706)    |
| Budget Basis   | \$2,271,135 |

**Note 6 - Deposits and Investments**

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

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

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

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

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

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$3,397,729 of the School District's bank balance of \$10,445,140 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2015, the School District had the following investments:

|  | <u>Fair Value</u>  | <u>Maturity</u> |
|--|--------------------|-----------------|
| Negotiable Certificate of Deposit            | \$249,102          | 9/8/15          |
| Negotiable Certificate of Deposit            | 249,110            | 9/18/15         |
| Negotiable Certificate of Deposit            | 249,085            | 9/23/15         |
| Negotiable Certificate of Deposit            | 248,174            | 12/10/15        |
| Negotiable Certificate of Deposit            | 248,241            | 1/4/16          |
| Negotiable Certificate of Deposit            | 248,109            | 3/23/16         |
| Negotiable Certificate of Deposit            | 247,390            | 5/23/16         |
| Negotiable Certificate of Deposit            | 494,681            | 5/26/16         |
| Negotiable Certificate of Deposit            | 237,225            | 6/20/16         |
| Negotiable Certificate of Deposit            | 247,235            | 7/26/16         |
| Negotiable Certificate of Deposit            | 247,178            | 8/29/16         |
| Negotiable Certificate of Deposit            | 246,344            | 9/23/16         |
| Negotiable Certificate of Deposit            | 245,232            | 11/28/16        |
| Negotiable Certificate of Deposit            | 244,620            | 12/12/16        |
| Negotiable Certificate of Deposit            | 244,825            | 12/28/16        |
| Negotiable Certificate of Deposit            | 464,713            | 12/30/16        |
| Federal Home Loan Bank Notes                 | 774,946            | 6/24/16         |
| Federal Home Loan Mortgage Corporation Notes | 829,502            | 12/14/15        |
| Mutual Fund                                  | 4,887              | 43 days         |
| STAR Ohio                                    | 508,561            | 53.4 Days       |
|  | <u>\$6,529,160</u> |                 |

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

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

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

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

|  | Fair<br>Value | Percentage of<br>Portfolio |
|--|---------------|----------------------------|
| Negotiable Certificates of Deposit     | \$4,411,264   | 67.6%                      |
| Federal Home Loan Bank                 | 774,946       | 11.9                       |
| Federal Home Loan Mortgage Corporation | 829,502       | 12.7                       |

**Note 7 - Receivables**

Receivables at June 30, 2015, 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                              |         |
| State of Ohio                             | \$5,191 |
| Northwest Ohio Educational Service Center | 8,976   |
| Total General Fund                        | 14,167  |

(continued)

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Note 7 - Receivables** (continued)

|                                | <u>Amount</u>           |
|--------------------------------|-------------------------|
| Other Governmental Funds       |                         |
| High Schools That Work         | \$3,457                 |
| Title I                        | 49,491                  |
| Title II-A                     | 5,634                   |
| 21 <sup>st</sup> Century       | 67,792                  |
| Total Other Governmental Funds | <u>126,374</u>          |
| Total Governmental Activities  | <u><u>\$140,541</u></u> |

**Note 8 - Income Taxes**

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

**Note 9 - Property Taxes**

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

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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

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, 2015, are available to finance fiscal year 2015 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, 2015, 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, 2015, was \$694,777 in the General Fund, \$52,063 in the Bond Retirement debt service fund, and \$42,096 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2014, was \$111,605 in the General Fund, \$12,245 in the Bond Retirement debt service fund, and \$6,968 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.

The assessed values upon which fiscal year 2015 taxes were collected are:

|   | 2014 Second-<br>Half Collections |                | 2015 First-<br>Half Collections |                |
|---|----------------------------------|----------------|---------------------------------|----------------|
|   | Amount                           | Percent        | Amount                          | Percent        |
| Agricultural/Residential                      | \$125,027,810                    | 91.75%         | \$183,959,710                   | 94.27%         |
| Industrial/Commercial                         | 7,789,010                        | 5.72           | 7,686,700                       | 3.94           |
| Public Utility Real                           | 309,110                          | .23            | 310,530                         | .16            |
| Public Utility Personal                       | 3,141,730                        | 2.30           | 3,174,620                       | 1.63           |
| Total Assessed Value                          | <u>\$136,267,660</u>             | <u>100.00%</u> | <u>\$195,131,560</u>            | <u>100.00%</u> |
| Tax rate per \$1,000 of<br>assessed valuation | \$45.95                          |                | \$45.45                         |                |

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

|  | Balance at<br>6/30/14 | Additions        | Reductions       | Balance at<br>6/30/15 |
|--|-----------------------|------------------|------------------|-----------------------|
| <b>Governmental Activities</b>                         |                       |                  |                  |                       |
| <b>Nondepreciable Capital Assets</b>                   |                       |                  |                  |                       |
| Land   | \$591,100             | \$0              | \$0              | \$591,100             |
| Construction in Progress                               | 0                     | 1,072,302        | 0                | 1,072,302             |
| <b>Total Nondepreciable Capital Assets</b>             | <b>591,100</b>        | <b>1,072,302</b> | <b>0</b>         | <b>1,663,402</b>      |
| <b>Depreciable Capital Assets</b>                      |                       |                  |                  |                       |
| Land Improvements                                      | 554,344               | 24,550           | 0                | 578,894               |
| Buildings and Building<br>Improvements                 | 14,246,756            | 0                | 0                | 14,246,756            |
| Furniture, Fixtures, and Equipment                     | 1,448,190             | 81,624           | (5,510)          | 1,524,304             |
| Vehicles   | 1,333,459             | 0                | 0                | 1,333,459             |
| <b>Total Depreciable Capital Assets</b>                | <b>17,582,749</b>     | <b>106,174</b>   | <b>(5,510)</b>   | <b>17,683,413</b>     |
| <b>Less Accumulated Depreciation</b>                   |                       |                  |                  |                       |
| Land Improvements                                      | (440,286)             | (7,871)          | 0                | (448,157)             |
| Buildings and Building<br>Improvements                 | (4,008,302)           | (458,332)        | 0                | (4,466,634)           |
| Furniture, Fixtures, and Equipment                     | (1,181,834)           | (30,381)         | 1,470            | (1,210,745)           |
| Vehicles   | (760,944)             | (130,071)        | 0                | (891,015)             |
| <b>Total Accumulated Depreciation</b>                  | <b>(6,391,366)</b>    | <b>(626,655)</b> | <b>1,470</b>     | <b>(7,016,551)</b>    |
| <b>Depreciable Capital Assets, Net</b>                 | <b>11,191,383</b>     | <b>(520,481)</b> | <b>(4,040)</b>   | <b>10,666,862</b>     |
| <b>Governmental Activities<br/>Capital Assets, Net</b> | <b>\$11,782,483</b>   | <b>\$551,821</b> | <b>(\$4,040)</b> | <b>\$12,330,264</b>   |

The School District accepted contributions of depreciable capital assets for governmental activities with a fair value of \$3,217 during fiscal year 2015.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

Depreciation expense was charged to governmental functions as follows:

|                                    |                         |
|------------------------------------|-------------------------|
| Instruction:                       |                         |
| Regular                            | \$359,148               |
| Special                            | 3,871                   |
| Vocational                         | 460                     |
| Support Services:                  |                         |
| Pupils                             | 1,935                   |
| Instructional Staff                | 16,933                  |
| Administration                     | 15,861                  |
| Fiscal                             | 612                     |
| Operation and Maintenance of Plant | 41,189                  |
| Pupil Transportation               | 142,873                 |
| Non-Instructional Services         | 20,226                  |
| Extracurricular Activities         | 23,547                  |
| Total Depreciation Expense         | <u><u>\$626,655</u></u> |

**Note 11 - Interfund Assets/Liabilities**

At June 30, 2015, the General Fund had an interfund receivable from other governmental funds, in the amount of \$24,421, 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 2015, 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             | 42,124,267   |

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

For fiscal year 2015, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

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

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

**Note 13 - Contractual Commitments**

The School District has several outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2015:

| Vendor                    | Contract<br>Amount | Amount Paid<br>as of 6/30/15 | Outstanding<br>Balance |
|---------------------------|--------------------|------------------------------|------------------------|
| Beilharz Architects, Inc. | \$497,152          | \$285,748                    | \$211,404              |
| Mel Lanzer Co.            | 479,974            | 271,581                      | 208,393                |

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2016 are as follows:

|                          |                  |
|--------------------------|------------------|
| General Fund             | \$42,706         |
| Building Fund            | 419,797          |
| Other Governmental Funds | 19,839           |
| Total                    | <u>\$482,342</u> |

## **Note 14 - Defined Benefit Pension Plans**

### **Net Pension Liability**

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

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

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

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

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

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

Plan Description - School District classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. The report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

Age and service requirements for retirement are as follows.

|                              | Eligible to<br>retire on or before<br>August 1, 2017 *                           | Eligible to<br>retire on or after<br>August 1, 2017                               |
|------------------------------|--|---|
| Full Benefits                | Any age with 30 years of service credit  | Age 67 with 10 years of service credit;<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit;<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit;<br>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 over thirty years. Final average salary is the average of the highest three years of salary.

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining .82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$179,518 for fiscal year 2015. Of this amount, \$32,083 is reported as an intergovernmental payable.

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

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

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

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. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service or age sixty-five with five years of service on August 1, 2026.

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

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1 percent on July 1, 2014, and will be increased 1 percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

The School District's contractually required contribution to STRS was \$557,915 for fiscal year 2015. Of this amount, \$93,260 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, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

|  | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------|-------------|--------------|
| Proportionate Share of the Net Pension Liability | \$2,247,312 | \$9,363,660 | \$11,610,972 |
| Proportion of the Net Pension Liability          | 0.04440500% | 0.03849641% |              |
| Pension Expense                                  | 126,678     | 366,620     | 493,298      |

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

|  | <u>SERS</u>      | <u>STRS</u>        | <u>Total</u>       |
|--|------------------|--------------------|--------------------|
| <b>Deferred Outflows of Resources</b>  |                  |                    |                    |
| Differences between expected and actual experience                               | \$19,127         | \$90,146           | \$109,273          |
| School District contributions subsequent to the measurement date                 | 179,518          | 557,915            | 737,433            |
| Total Deferred Outflows of Resources   | <u>198,645</u>   | <u>648,061</u>     | <u>846,706</u>     |
| <b>Deferred Inflows of Resources</b>   |                  |                    |                    |
| Net difference between projected and actual earnings on pension plan investments | <u>\$364,745</u> | <u>\$1,732,312</u> | <u>\$2,097,057</u> |

\$737,433 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

|                            | <u>SERS</u>        | <u>STRS</u>          | <u>Total</u>         |
|----------------------------|--------------------|----------------------|----------------------|
| Fiscal Year Ended June 30, |                    |                      |                      |
| 2016                       | (\$86,356)         | (\$410,542)          | (\$496,898)          |
| 2017                       | (86,356)           | (410,542)            | (496,898)            |
| 2018                       | (86,356)           | (410,542)            | (496,898)            |
| 2019                       | (86,550)           | (410,540)            | (497,090)            |
| Total                      | <u>(\$345,618)</u> | <u>(\$1,642,166)</u> | <u>(\$1,987,784)</u> |

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

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2014, are presented below.

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

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

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

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 a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

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

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

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

|  | <u>1% Decrease<br/>(6.75%)</u> | <u>Current<br/>Discount Rate<br/>(7.75%)</u> | <u>1% Increase<br/>(8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| School District's Proportionate Share of the Net Pension Liability | \$3,206,246                    | \$2,247,312                                  | \$1,440,765                    |

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study effective July 1, 2012.

The ten year expected real rate of return on pension plan investments was determined by the STRS investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows.

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

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

|   | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's Proportionate Share of<br>the Net Pension Liability | \$13,405,099           | \$9,363,660                         | \$5,945,961            |

**Social Security System**

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, 2015, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 15 - Postemployment Benefits**

**School Employees Retirement System (SERS)**

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, .82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 2015, the School District's surcharge obligation was \$23,747.

The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 was \$11,135, \$1,589, and \$1,760, respectively. For fiscal year 2015, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

**State Teachers Retirement System (STRS)**

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. All benefit recipients for the most recent year pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$39,907, and \$39,897 respectively. The full amount has been contributed for all three fiscal years.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**Note 16 - Other Employee Benefits**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**Note 17 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

|   | Balance at<br>6/30/14 | Additions     | Reductions     | Balance at<br>6/30/15 | Amounts<br>Due<br>Within<br>One Year |
|---|-----------------------|---------------|----------------|-----------------------|--------------------------------------|
| Governmental Activities   |                       |               |                |                       |                                      |
| FY07 Loan Payable 4.4%  | \$362,667             | \$0           | \$45,334       | \$317,333             | \$45,333                             |
| FY02 Loan Payable 0%  | 93,000                | 0             | 31,000         | 62,000                | 31,000                               |
| Total Loans Payable   | <u>455,667</u>        | <u>0</u>      | <u>76,334</u>  | <u>379,333</u>        | <u>76,333</u>                        |
| General Obligation Bonds  |                       |               |                |                       |                                      |
| FY 2007 School Facilities Construction and<br>Improvement Refunding |                       |               |                |                       |                                      |
| Serial Bonds 4%   | 1,740,000             | 0             | 200,000        | 1,540,000             | 225,000                              |
| Term Bonds 3.65 - 4.13%   | 1,600,000             | 0             | 0              | 1,600,000             | 0                                    |
| Capital Appreciation Bonds  | 500,000               | 0             | 0              | 500,000               | 0                                    |
| Accretion on Capital<br>Appreciation Bonds                          | 547,398               | 41,894        | 0              | 589,292               | 0                                    |
| Premium   | 210,949               | 0             | 10,987         | 199,962               | 0                                    |
| Total General Obligation Bonds                                      | <u>4,598,347</u>      | <u>41,894</u> | <u>210,987</u> | <u>4,429,254</u>      | <u>225,000</u>                       |

(continued)

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

|  | Balance at<br>6/30/14 | Additions          | Reductions         | Balance at<br>6/30/15 | Amounts<br>Due<br>Within<br>One Year |
|--|-----------------------|--------------------|--------------------|-----------------------|--------------------------------------|
| Governmental Activities (continued)                            |                       |                    |                    |                       |                                      |
| FY 2015 Certificates of Participation                          |                       |                    |                    |                       |                                      |
| Serial Certificates 2-4%                                       | \$0                   | \$2,275,000        | \$0                | \$2,275,000           | \$0                                  |
| Term Certificates 3.65 - 4.13%                                 | 0                     | 6,725,000          | 0                  | 6,725,000             | 0                                    |
| Premium  | 0                     | 807,925            | 0                  | 807,925               | 0                                    |
| <b>Total Certificates of Participation</b>                     | <b>0</b>              | <b>9,807,925</b>   | <b>0</b>           | <b>9,807,925</b>      | <b>0</b>                             |
| Net Pension Liability  |                       |                    |                    |                       |                                      |
| SERS   | 2,640,623             | 0                  | 393,311            | 2,247,312             | 0                                    |
| STRS   | 11,153,930            | 0                  | 1,790,270          | 9,363,660             | 0                                    |
| <b>Total Net Pension Liability</b>                             | <b>13,794,553</b>     | <b>0</b>           | <b>2,183,581</b>   | <b>11,610,972</b>     | <b>0</b>                             |
| Capital Leases Payable   | 241,409               | 0                  | 78,764             | 162,645               | 80,458                               |
| Compensated Absences Payable                                   | 680,318               | 0                  | 66,613             | 613,705               | 19,884                               |
| <b>Total Governmental Activities<br/>Long-Term Liabilities</b> | <b>\$19,770,294</b>   | <b>\$9,849,819</b> | <b>\$2,616,279</b> | <b>\$27,003,834</b>   | <b>\$401,675</b>                     |

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

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

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

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**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:

| Year | Amount    |
|------|-----------|
| 2026 | \$295,000 |

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

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

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2016, December 1, 2017, December 1, 2018, December 1, 2019, December 1, 2020, and December 1, 2021, in the amount of \$235,000, \$245,000, \$255,000, \$260,000, and \$260,000, respectively. For fiscal year 2014, \$41,894 was accreted on the capital appreciation bonds for a total bond value of \$1,089,292 at fiscal year end.

FY 15 Certificates of Participation - On November 5, 2014, the School District issued certificates of participation, in the amount of \$9,000,000, to acquire, construct, improve, furnish, and equip school facilities. The issue includes serial and term certificates. The certificates were issued for a twenty-nine year period, with final maturity in fiscal year 2044. The certificates are being retired through the Bond Retirement debt service fund. As of June 30, 2015, \$7,927,698 of the proceeds had not been spent.

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

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

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

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

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     |

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        | 6150,000      |

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

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

Capital leases will be paid from the General Fund.

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

The School District's overall debt margin was \$5,428,460 with an unvoted debt margin of \$191,957 at June 30, 2015.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2015, were as follows:

FY 07 Loan Payable

| Fiscal Year<br>Ending June 30, | Principal        | Interest        | Total            |
|--------------------------------|------------------|-----------------|------------------|
| 2016                           | \$45,333         | \$14,000        | \$59,333         |
| 2017                           | 45,333           | 11,968          | 57,301           |
| 2018                           | 45,334           | 9,973           | 55,307           |
| 2019                           | 45,333           | 7,978           | 53,311           |
| 2020                           | 45,334           | 6,000           | 51,334           |
| 2021-2022                      | 90,666           | 5,983           | 96,649           |
| Total                          | <u>\$317,333</u> | <u>\$55,902</u> | <u>\$373,235</u> |

FY 03 Loan Payable

| Fiscal Year<br>Ending June 30, | Principal       |
|--------------------------------|-----------------|
| 2016                           | \$31,000        |
| 2017                           | 31,000          |
| Total                          | <u>\$62,000</u> |

General Obligation Bonds

| Fiscal Year<br>Ending June 30, | Serial             | Term               | Capital          | Interest           | Total              |
|--------------------------------|--------------------|--------------------|------------------|--------------------|--------------------|
| 2016                           | \$225,000          | \$0                | \$0              | \$122,350          | \$347,350          |
| 2017                           | 0                  | 0                  | 110,000          | 242,850            | 352,850            |
| 2018                           | 0                  | 0                  | 105,000          | 257,850            | 362,850            |
| 2019                           | 0                  | 0                  | 100,000          | 272,850            | 372,850            |
| 2020                           | 0                  | 0                  | 95,000           | 282,850            | 377,850            |
| 2021-2025                      | 1,030,000          | 0                  | 90,000           | 678,250            | 1,798,250          |
| 2026-2030                      | 285,000            | 1,250,000          | 0                | 240,762            | 1,775,762          |
| 2031                           | 0                  | 350,000            | 0                | 0                  | 350,000            |
|                                | <u>\$1,540,000</u> | <u>\$1,600,000</u> | <u>\$500,000</u> | <u>\$2,097,762</u> | <u>\$5,737,762</u> |

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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

| Fiscal Year<br>Ending June 30, | Certificates of Participation |                    |                    |                     |
|--------------------------------|-------------------------------|--------------------|--------------------|---------------------|
|                                | Serial                        | Term               | Interest           | Total               |
| 2016                           | \$0                           | \$0                | \$407,838          | \$407,838           |
| 2017                           | 0                             | 0                  | 407,838            | 407,838             |
| 2018                           | 115,000                       | 0                  | 406,688            | 521,688             |
| 2019                           | 120,000                       | 0                  | 404,337            | 524,337             |
| 2020                           | 125,000                       | 0                  | 401,888            | 526,888             |
| 2021-2025                      | 905,000                       | 0                  | 1,942,511          | 2,847,511           |
| 2026-2030                      | 1,010,000                     | 290,000            | 1,742,349          | 3,042,349           |
| 2031-2035                      | 0                             | 1,725,000          | 1,399,370          | 3,124,370           |
| 2036-2040                      | 0                             | 2,315,000          | 901,875            | 3,216,875           |
| 2041-2044                      | 0                             | 2,395,000          | 247,875            | 2,642,875           |
|                                | <u>\$2,275,000</u>            | <u>\$6,725,000</u> | <u>\$8,262,569</u> | <u>\$17,262,569</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 2015 were \$78,764.

|                                 |                            |
|---------------------------------|----------------------------|
|                                 | Governmental<br>Activities |
| Vehicles                        | <u>\$325,364</u>           |
| Less Accumulated Depreciation   | <u>(74,560)</u>            |
| Carrying Value at June 30, 2015 | <u><u>\$250,804</u></u>    |

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, 2015.

|       |                            |                       |
|-------|----------------------------|-----------------------|
|       | Governmental<br>Activities |                       |
| Year  | Principal                  | Interest              |
| 2016  | <u>\$80,458</u>            | <u>\$3,497</u>        |
| 2017  | <u>82,187</u>              | <u>1,767</u>          |
| Total | <u><u>\$162,645</u></u>    | <u><u>\$5,264</u></u> |

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**Note 19 - Fund Balance**

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

| Fund Balance            | General     | Building    | Other<br>Governmental | Total<br>Governmental<br>Funds |
|-------------------------|-------------|-------------|-----------------------|--------------------------------|
| Nonspendable for:       |             |             |                       |                                |
| Materials and Supplies  |             |             |                       |                                |
| Inventory               | \$0         | \$0         | \$1,497               | \$1,497                        |
| Restricted for:         |             |             |                       |                                |
| Athletics and Music     | 0           | 0           | 140,737               | 140,737                        |
| Building Construction   | 0           | 7,945,858   | 0                     | 7,945,858                      |
| Debt Retirement         | 0           | 0           | 792,335               | 792,335                        |
| Facilities Maintenance  | 0           | 0           | 564,335               | 564,335                        |
| Food Service Operations | 0           | 0           | 28,726                | 28,726                         |
| Permanent Improvements  | 0           | 0           | 575,593               | 575,593                        |
| Regular Instruction     | 0           | 0           | 14,426                | 14,426                         |
| Wellness Program        | 0           | 0           | 2,452                 | 2,452                          |
| Total Restricted        | 0           | 7,945,858   | 2,118,604             | 10,064,462                     |
| Assigned for:           |             |             |                       |                                |
| Educational Activities  | 50,060      | 0           | 0                     | 50,060                         |
| Unpaid Obligations      | 3,426       | 0           | 0                     | 3,426                          |
| Total Assigned          | 53,486      | 0           | 0                     | 53,486                         |
| Unassigned (Deficit)    | 6,244,468   | 0           | (6,447)               | 6,238,021                      |
| Total Fund Balance      | \$6,297,954 | \$7,945,858 | \$2,113,654           | \$16,357,466                   |

**Note 20 - Set Asides**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2015.

|                                    |           |
|------------------------------------|-----------|
| Balance June 30, 2014              | \$0       |
| Current Year Set Aside Requirement | 159,977   |
| Current Year Offsets               | (159,977) |
| Reserve Balance June 30, 2015      | \$0       |

**Note 21 - Interfund Transfers**

During fiscal year 2015, the General Fund made transfers to other governmental funds, in the amount of \$61,291, 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 \$7,719 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 2015, the School District paid \$35,959 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among 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.

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

**C. Four County Career Center**

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

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

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

**Note 24 - Related Organization**

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

**Note 25 - Insurance Pools**

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

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

**B. Northern Buckeye Health Plan**

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

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

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

**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, 2015.

Patrick Henry Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Note 26 - Contingencies** (continued)

**B. School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

**C. Litigation**

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

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 Two Fiscal Years (1)

|  | 2014        | 2013        |
|--|-------------|-------------|
| School District's Proportion of the Net Pension Liability  | 0.04440500% | 0.04440500% |
| School District's Proportionate Share of the Net Pension Liability   | \$2,247,312 | \$2,640,623 |
| School District's Covered Employee Payroll   | \$1,135,160 | \$1,099,763 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll | 197.97%     | 240.11%     |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                     | 71.70%      | 65.52%      |

(1) Information prior to 2013 is not available.

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

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

|  | 2014        | 2013         |
|--|-------------|--------------|
| School District's Proportion of the Net Pension Liability  | 0.03849641% | 0.03849641%  |
| School District's Proportionate Share of the Net Pension Liability   | \$9,363,660 | \$11,153,930 |
| School District's Covered Employee Payroll   | \$3,959,415 | \$3,974,562  |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll | 236.49%     | 280.63%      |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                     | 74.70%      | 69.30%       |

(1) Information prior to 2013 is not available.

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

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

|   | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      |
|---|------------------|------------------|------------------|------------------|
| Contractually Required Contribution                                     | \$179,518        | \$157,333        | \$152,207        | \$150,520        |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(179,518)</u> | <u>(157,333)</u> | <u>(152,207)</u> | <u>(150,520)</u> |
| Contribution Deficiency (Excess)  | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| School District Covered Employee Payroll                                | \$1,362,049      | \$1,135,160      | \$1,099,763      | \$1,119,110      |
| Contributions as a Percentage of<br>Covered Employee Payroll            | 13.18%           | 13.86%           | 13.84%           | 13.45%           |

| <u>2011</u>      | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      | <u>2006</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$213,863        | \$147,512        | \$137,038        | \$164,642        | \$171,611        | \$158,337        |
| <u>(213,863)</u> | <u>(147,512)</u> | <u>(137,038)</u> | <u>(164,642)</u> | <u>(171,611)</u> | <u>(158,337)</u> |
| <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| \$1,701,380      | \$1,089,452      | \$1,392,662      | \$1,676,594      | \$1,606,845      | \$1,496,569      |
| 12.57%           | 13.54%           | 9.84%            | 9.82%            | 10.68%           | 10.58%           |

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>2015</u>      | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      |
|---|------------------|------------------|------------------|------------------|
| Contractually Required Contribution                                     | \$557,915        | \$514,724        | \$516,693        | \$508,460        |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(557,915)</u> | <u>(514,724)</u> | <u>(516,693)</u> | <u>(508,460)</u> |
| Contribution Deficiency (Excess)  | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| School District Covered Employee Payroll                                | \$3,985,107      | \$3,959,415      | \$3,974,562      | \$3,911,231      |
| Contributions as a Percentage of<br>Covered Employee Payroll            | 14.00%           | 13.00%           | 13.00%           | 13.00%           |

| <u>2011</u>      | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      | <u>2006</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$543,836        | \$575,802        | \$546,652        | \$568,638        | \$542,090        | \$542,435        |
| <u>(543,836)</u> | <u>(575,802)</u> | <u>(546,652)</u> | <u>(568,638)</u> | <u>(542,090)</u> | <u>(542,435)</u> |
| <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| \$4,183,354      | \$4,429,246      | \$4,205,015      | \$4,374,138      | \$4,169,923      | \$4,172,577      |
| 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           |

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**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| <b>FEDERAL GRANTOR<br/>Pass Through Grantor<br/>Program / Cluster Title</b> | <b>Pass Through<br/>Entity<br/>Number</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b>            |
|---|---|------------------------------------|--------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                       |   |                                    |                                |
| <i>Passed Through Ohio Department of Education</i>                          |   |                                    |                                |
| <u>Child Nutrition Cluster:</u>   |   |                                    |                                |
| School Breakfast Program - Cash Assistance                                  |   | 10.553                             | \$43,493                       |
| National School Lunch Program   |   |                                    |                                |
| Cash Assistance   |   | 10.555                             | 172,200                        |
| Non- Cash Assistance (Food Distribution)                                    |   |                                    | 26,439                         |
| Total National School Lunch Program   |   |                                    | <u>198,639</u>                 |
| Total U.S. Department of Agriculture  |   |                                    | <u><b>242,132</b></u>          |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |   |                                    |                                |
| <i>Passed Through Ohio Department of Education</i>                          |   |                                    |                                |
| Title I Grants to Local Educational Agencies                                |   | 84.010                             | 177,130                        |
| <u>Special Education Cluster (IDEA):</u>                                    |   |                                    |                                |
| Special Education - Grants to States (IDEA, Part B)                         |   | 84.027                             | 202,686                        |
| Special Education - Preschool Grants (IDEA, Preschool)                      |   | 84.173                             | 10,054                         |
| Total Special Education Cluster (IDEA)                                      |   |                                    | <u>212,740</u>                 |
| Twenty First Century Grant  |   | 84.287                             | 212,171                        |
| English Language Acquisition State Grants                                   |   | 84.365                             | 2,086                          |
| Improving Teacher Quality State Grants                                      |   | 84.367                             | <u>39,695</u>                  |
| Total U.S. Department of Education  |   |                                    | <u><b>643,822</b></u>          |
| <b>Total Federal Awards Expenditures</b>                                    |   |                                    | <u><u><b>\$885,954</b></u></u> |

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports Patrick Henry Local School District's (the District's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - SUBRECIPIENTS**

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

As a subrecipient, the government has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amounts passed through to subrecipients were \$214,826.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Patrick Henry Local School District, Henry County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2016, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27 and Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 31, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

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

We have audited Patrick Henry Local School District, Henry County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Patrick Henry Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Patrick Henry Local School District, Henry County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246  
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484  
[www.ohioauditor.gov](http://www.ohioauditor.gov)

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2015-001. This finding did not require us to modify our compliance opinion on each major federal program.

The District's response to our noncompliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

**Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2015-001 to be a material weakness.

The District's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Patrick Henry Local School District  
Henry County  
Independent Auditor's Report On Compliance With Requirements  
Applicable To Each Major Federal Program and on Internal Control Over  
Compliance Required By OMB Circular A-133  
Page 3

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 31, 2016

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**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

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

|                     |  |  |
|---------------------|--|--|
| <i>(d)(1)(i)</i>    | Type of Financial Statement Opinion  | Unmodified   |
| <i>(d)(1)(ii)</i>   | Were there any material control weaknesses reported at the financial statement level (GAGAS)?                  | No   |
| <i>(d)(1)(ii)</i>   | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No   |
| <i>(d)(1)(iii)</i>  | Was there any reported material noncompliance at the financial statement level (GAGAS)?                        | No   |
| <i>(d)(1)(iv)</i>   | Were there any material internal control weaknesses reported for major federal programs?                       | Yes  |
| <i>(d)(1)(iv)</i>   | Were there any significant deficiencies in internal control reported for major federal programs?               | No   |
| <i>(d)(1)(v)</i>    | Type of Major Programs' Compliance Opinion   | Unqualified  |
| <i>(d)(1)(vi)</i>   | Are there any reportable findings under § .510(a)?   | Yes  |
| <i>(d)(1)(vii)</i>  | Major Programs (list):   | <p><b>Child Nutrition Cluster:</b><br/>School Breakfast Program – CDFA #10.553 and National School Lunch Program – CFDA #10.555</p> <p><b>Special Education Cluster:</b><br/>Special Education Grants to States (IDEA, Part B) CFDA #84.027 and Special Education Preschool Grants (IDEA PreSchool) CFDA #84.173</p> |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs  | Type A: > \$ 300,000<br>Type B: all others   |
| <i>(d)(1)(ix)</i>   | Low Risk Auditee?  | No   |

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

**Schedule of Federal Awards Expenditures**

|                                    |  |
|------------------------------------|--|
| <b>Finding Number</b>              | 2015-001   |
| <b>CFDA Title and Number</b>       | <p><b>Child Nutrition Cluster:</b><br/>                 School Breakfast Program – CDFA #10.553 and National School Lunch Program – CFDA #10.555</p> <p><b>Special Education Cluster</b> – Special Education Grants to States (IDEA, Part B) CFDA #84.027 and Special Education Preschool Grants (IDEA PreSchool) CFDA #84.173</p> |
| <b>Federal Award Number / Year</b> | 2014 and 2015  |
| <b>Federal Agency</b>              | U.S. Department of Education   |
| <b>Pass-Through Agency</b>         | Ohio Department of Education   |

**Noncompliance and Material Weakness**

**OMB Circular A133 §\_\_.300** provides the auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the passthrough entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of receipts and expenditures of Federal awards in accordance with §\_\_\_.310.

The District did prepare its Schedule of Federal Awards Expenditures (the Schedule). However, the following material errors were noted with a major program:

- Commodities received with a value of \$26,439 through the National School Lunch Program were not included in the Schedule;
- The Special Education Grants to States Grant of \$202,686 and the Special Education Preschool Grant of \$10,054 both part of the Special Education Cluster were not included in the Schedule.

We also noted similar errors in non-major programs in the total of \$214,257 not being included in the Schedule.

Inaccurate completion of the Schedule could lead to inaccurate reporting of federal expenditures by the District. Adjustments were made to the District's Schedule as noted above.

The Treasurer should be knowledgeable of the federal programs, and the requirements should be understood. We recommend the District implement policies and procedures, including a final review of the Schedule, to ensure the Schedule is accurately completed.

**Officials' Response:**

See corrective action plan.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2015**

| Finding Number | Planned Corrective Action   | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|----------------------------|
| 2015-001       | Management will compare the grant expenditures on the schedule of federal awards and expenditures within its financial records in the future to resolve this issue. | FY 2016                     | Melissa Tope,<br>Treasurer |

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2014-001       | Material Weakness due to misstatement of prior period balances. | Yes              |  |

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# Dave Yost • Auditor of State

**PATRICK HENRY LOCAL SCHOOL DISTRICT**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 26, 2016**