

Patrick Henry Local School District

Henry County, Ohio

Regular Audit

July 1, 2007 through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Patrick Henry Local School District, Henry County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 25, 2009

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**Patrick Henry Local School District**  
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*For the Fiscal Year Ended June 30, 2008*

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# BALESTRA, HARR & SCHERER, CPAS, INC.

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Patrick Henry Local School District (the District), Henry County, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 the District, as of June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

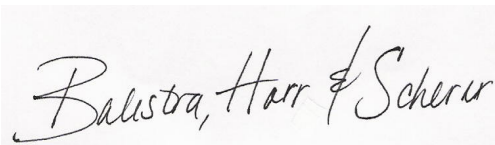
In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing, internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information accounting principals generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Patrick Henry Local School District  
Henry County  
Independent Auditor's Report  
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of 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 not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 22 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

February 13, 2009



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2008  
Unaudited**

The discussion and analysis of the financial performance of Patrick Henry Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2008 are as follows:

In total, net assets increased \$604,530.

General revenues accounted for \$9,960,890, or 84 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants accounted for \$1,931,798 or 16 percent of total revenues of \$11,892,688.

The District's major funds include the General Fund. The General Fund had \$10,013,038 in revenues and other financing sources and \$9,629,927 in expenditures and other financing uses. The General Fund's balance increased \$383,111 from the prior fiscal year.

**Using the Basic Financial Statements**

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

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

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

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

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2008  
Unaudited  
(Continued)**

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

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

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

**Fund Financial Statements**

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

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

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2008  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2008.

<b>Table 1 Net Assets Governmental Activities</b>		
	<b>2008</b>	<b>2007</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$8,808,461	\$9,152,597
Capital Assets, Net	15,266,623	14,759,389
Total Assets	24,075,084	23,911,986
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	5,542,769	5,792,416
Long-Term Liabilities	6,496,415	6,479,266
Total Liabilities	12,039,184	12,271,682
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	9,463,589	9,630,519
Restricted	1,334,153	1,819,178
Unrestricted	1,238,158	190,607
Total	\$12,035,900	\$11,640,304

The increase in current assets and the increase to long-term liabilities were due to the issuance of energy conservation notes.

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

<b>Table 2 Change in Net Assets Governmental Activities</b>		
	<b>2008</b>	<b>2007</b>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$888,866	\$852,753
Operating Grants, Contributions and Interest	1,042,932	906,014
Total Program Revenues	1,931,798	1,758,767
General Revenues:		
Property Taxes	2,966,294	2,775,580
Income Taxes	1,878,057	1,759,720
Grants and Entitlements	4,913,330	4,470,881
Investment Earnings	71,079	72,560
Gifts and Donations	0	250
Miscellaneous	127,730	103,876
Proceeds from Sale of Capital Assets	4,400	0
Total General Revenues	9,960,890	9,182,867
Total Revenues	11,892,688	10,941,634

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2008  
Unaudited  
(Continued)**

<b><u>Expenses:</u></b>		
Instruction	6,053,500	5,580,461
Support Services:		
Pupils	478,809	409,416
Instructional Staff	669,714	485,778
Board of Education	42,802	52,246
Administration	935,558	936,533
Fiscal	336,741	312,656
Business	119,199	111,896
Operation and Maintenance of Plant	894,458	1,083,370
Pupil Transportation	347,094	498,302
Central	162,441	181,273
Non-Instructional	429,688	460,656
Extracurricular Activities	454,358	459,760
Capital Outlay	286,880	0
Interest and Fiscal Charges	285,850	30,399
Total Expenses	<u>11,497,092</u>	<u>10,602,746</u>
Increase/(Decrease) in Net Assets	<u>\$604,530</u>	<u>\$338,888</u>

Governmental Activities

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

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
Instruction	\$6,053,500	\$4,948,294	\$5,580,461	\$4,508,901
Support Services:				
Pupils	478,809	473,809	409,416	404,416
Instructional Staff	669,714	554,752	485,778	480,203
Board of Education	42,802	42,802	52,246	52,246
Administration	935,558	880,528	936,533	869,409
Fiscal	336,741	336,741	312,656	312,656
Business	119,199	119,199	111,896	111,896
Operation and Maintenance of Plant	894,458	891,304	1,083,370	1,079,561
Pupil Transportation	347,094	341,841	498,302	496,263
Central	162,441	150,441	181,273	169,273
Non-Instructional	429,688	(49,503)	460,656	5,577
Extracurricular Activities	454,358	302,356	459,760	323,179
Capital Outlay	286,880	286,880		
Interest and Fiscal Charges	285,850	285,850	30,399	30,399
Total Expenses	<u>\$11,497,092</u>	<u>\$9,565,294</u>	<u>\$10,602,746</u>	<u>\$8,843,979</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2008  
Unaudited  
(Continued)**

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 81 percent of instruction activities is supported through taxes and other general revenues. For all governmental activities, support from general revenues is 83 percent. The remaining 17 percent is derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental fund is the General Fund. Total governmental funds had revenues and other sources of \$12,243,820 and expenditures and other uses of \$12,542,076. The net negative change of \$85,631 in fund balance for the year indicates that the District had some difficulty in meeting current costs with current revenues.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2008, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$10,169,244 while actual expenditures were \$9,900,920. The \$268,324 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2008, the District had \$15,266,623 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the Note 8 to the basic financial statements.

**Debt**

At June 30, 2008, the District had \$4,711,433 in school improvement general obligation bonds for construction and building improvements. The bonds were issued in the amount of \$5,101,000 for a twenty-eight year period, with final maturity on December 1, 2030. The bonds are being retired through the Bond Retirement Debt Service Fund. The District also has \$634,667 owed on a \$680,000 energy conservation note that will mature on December 1, 2021 and General Obligation notes outstanding of \$248,000, which matures during fiscal year 2016.

The District also had \$208,934 outstanding associated with capital leases

At June 30, 2008, the District's overall legal debt margin was \$3,734,870, with an un-voted debt margin of \$93,848.

For further information regarding the District's debt, see Note 13.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2008  
Unaudited  
(Continued)**

**Current Issues**

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

The District is currently operating in the first year of the state biennium budget. 46.6 percent of District revenue sources are from local funds, 47.9 percent is from state funds, and the remaining 5.5 percent is from federal funds. The total expenditure per pupil was calculated at \$8,882.83.

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

**Contacting the District's Financial Management**

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Net Assets  
June 30, 2008**

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	3,186,263
Materials and Supplies Inventory		5,378
Accrued Interest Receivable		4,596
Accounts Receivable		318
Intergovernmental Receivable		34,834
Taxes Receivable		4,850,278
Income Taxes Receivable		726,794
Capital Assets:		
Non-Depreciable Capital Assets		592,870
Depreciable Capital Assets, net		14,673,753
<b>Total Assets</b>		<b><u>24,075,084</u></b>
<b>LIABILITIES:</b>		
Accounts Payable		17,265
Accrued Wages and Benefits		509,020
Intergovernmental Payable		258,435
Accrued Interest Payable		18,261
Matured Compensated Absences Payable		146,173
Deferred Revenue		4,593,615
Long-Term Liabilities:		
Due Within One Year		288,192
Due in More Than One Year		6,208,223
<b>Total Liabilities</b>		<b><u>12,039,184</u></b>
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt		9,463,589
Restricted for Debt Service		168,456
Restricted for Capital Outlay		710,973
Restricted for Other Purposes		430,979
Restricted for Set Asides		23,745
Unrestricted		1,238,158
<b>Total Net Assets</b>	<b>\$</b>	<b><u>12,035,900</u></b>

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2008**

	<b>Program Revenues</b>			<b>Net(Expense) Revenue and Changes in Net Assets</b>
<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	
Governmental Activities:				
Instruction:				
Regular	\$ 4,420,085	\$ 388,644	\$ 127,811	(3,903,630)
Special	1,237,533		581,275	(656,258)
Vocational	3,833		4,576	743
Other	392,049		2,900	(389,149)
Support Services:				
Pupils	478,809		5,000	(473,809)
Instructional Staff	669,714		114,962	(554,752)
Board of Education	42,802			(42,802)
Administration	935,558	55,030		(880,528)
Fiscal	336,741			(336,741)
Business	119,199			(119,199)
Operation and Maintenance of Plant	894,458		3,154	(891,304)
Pupil Transportation	347,094		5,253	(341,841)
Central	162,441		12,000	(150,441)
Operation of Non-Instructional Services	429,688	293,190	186,001	49,503
Extracurricular Activities	454,358	152,002		(302,356)
Capital Outlay	286,880			(286,880)
Debt Service:				
Interest and Fiscal Charges	285,850			(285,850)
<b>Totals</b>	<b>\$ 11,497,092</b>	<b>\$ 888,866</b>	<b>\$ 1,042,932</b>	<b>(9,565,294)</b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,513,075
Property Taxes, Levied for Capital Outlay				130,503
Property Taxes, Levied for Debt Service				280,015
Property Taxes, Levied for Other				42,701
Income Taxes				1,878,057
Grants and Entitlements not Restricted to Specific Programs				4,913,330
Investment Earnings				71,079
Miscellaneous				127,730
Proceeds from Sale of Capital Assets				4,400
<b>Total General Revenues</b>				<b>9,960,890</b>
Change in Net Assets				395,596
Net Assets Beginning of Year				11,640,304
Net Assets End of Year				<b>\$ 12,035,900</b>

See Accompanying Notes to the Basic Financial Statements



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2008**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,848,247	\$ 1,314,271	3,162,518
Materials and Supplies Inventory		5,378	5,378
Accrued Interest Receivable	4,596		4,596
Accounts Receivable	318		318
Intergovernmental Receivable		34,834	34,834
Taxes Receivable	4,376,689	473,589	4,850,278
Income Taxes Receivable	726,794		726,794
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	23,745		23,745
<b>Total Assets</b>	<b>\$ 6,980,389</b>	<b>\$ 1,828,072</b>	<b>\$ 8,808,461</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	\$	\$ 17,265	17,265
Accrued Wages and Benefits	480,108	28,912	509,020
Intergovernmental Payable	236,346	22,089	258,435
Matured Compensated Absences Payable	146,173		146,173
Deferred Revenue	4,359,880	452,935	4,812,815
	5,222,507	521,201	5,743,708
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	155,856	61,032	216,888
Reserved for Property Taxes	145,050	28,920	173,970
Reserved for Budget Stabilization	23,745		23,745
Unreserved, Undesignated, Reported in:			
General Fund	1,433,231		1,433,231
Special Revenue Funds		409,728	409,728
Debt Service Funds		160,427	160,427
Capital Projects Funds		646,764	646,764
<b>Total Fund Balances</b>	<b>1,757,882</b>	<b>1,306,871</b>	<b>3,064,753</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,980,389</b>	<b>\$ 1,828,072</b>	<b>\$ 8,808,461</b>

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2008**

Total Governmental Fund Balances	\$	3,064,753
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		15,266,623
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		219,200
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable	(18,261)	
General Obligation Bonds Payable	(4,711,433)	
Notes Payable	(882,667)	
Capital Leases Payable	(208,934)	
Compensated Absences Payable	(693,381)	
	<u>                    </u>	(6,514,676)
Net Assets of Governmental Activities	\$	<u><u>12,035,900</u></u>

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008**

	<b>General Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>			
Property and Other Local Taxes	\$ 2,505,064	\$ 452,052	2,957,116
Income Tax	1,878,643		1,878,643
Intergovernmental	4,897,904	1,057,547	5,955,451
Interest	46,989	24,090	71,079
Tuition and Fees	388,644		388,644
Rent		50	50
Extracurricular Activities		207,032	207,032
Customer Sales and Services		293,140	293,140
Miscellaneous	7,014	120,716	127,730
Total Revenues	9,724,258	2,154,627	11,878,885
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	4,010,408	61,579	4,071,987
Special	607,945	668,687	1,276,632
Vocational	2,457		2,457
Other	390,749	1,300	392,049
Support Services:			
Pupils	468,297	13,706	482,003
Instructional Staff	550,425	134,288	684,713
Board of Education	42,802		42,802
Administration	820,440	91,010	911,450
Fiscal	334,797		334,797
Business	117,659		117,659
Operation and Maintenance of Plant	870,867	133,639	1,004,506
Pupil Transportation	607,850		607,850
Central	149,718	12,000	161,718
Operation of Non-Instructional Services	3,806	434,784	438,590
Extracurricular Activities	213,226	223,882	437,108
Capital Outlay	286,880	474,701	761,581
Debt Service:			
Principal	75,446	211,333	286,779
Interest		238,615	238,615
Total Expenditures	9,553,772	2,699,524	12,253,296
Excess of Revenues Over (Under) Expenditures	170,486	(544,897)	(374,411)
<b>OTHER FINANCING SOURCES AND USES:</b>			
Transfers In		76,155	76,155
Proceeds from Sale of Capital Assets	4,400		4,400
Inception of Capital Lease	284,380		284,380
Transfers Out	(76,155)		(76,155)
Total Other Financing Sources and Uses	212,625	76,155	288,780
Net Change in Fund Balances	383,111	(468,742)	(85,631)
Fund Balance (Deficit) at Beginning of Year	1,374,771	1,775,613	3,150,384
Fund Balance (Deficit) at End of Year	\$ 1,757,882	\$ 1,306,871	\$ 3,064,753

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement Activities  
For the Fiscal Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ (85,631)

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

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

Capital Outlay - Depreciable Capital Assets	1,076,467	
Depreciation	<u>(550,780)</u>	
		525,687

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(18,453)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	811	
Income Taxes	(586)	
Delinquent Property Taxes	<u>9,178</u>	
		9,403

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		286,779
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Inception of Capital Lease		(284,380)
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Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Interest and Fiscal Charges	(47,235)	
Compensated Absences Payable	<u>9,426</u>	
		<u>(37,809)</u>

Change in Net Assets of Governmental Activities		\$ <u><u>395,596</u></u>
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See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 2,413,002	\$ 2,413,002	\$ 2,580,829	\$ 167,827
Income Tax	1,690,089	1,690,089	1,873,592	183,503
Intergovernmental	4,347,168	4,347,168	4,897,904	550,736
Interest	45,126	45,126	47,024	1,898
Tuition and Fees	331,353	331,353	388,644	57,291
Miscellaneous	7,035	7,035	4,041	(2,994)
<b>Total Revenues</b>	<u>8,833,773</u>	<u>8,833,773</u>	<u>9,792,034</u>	<u>958,261</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	3,978,555	4,274,021	4,164,402	109,619
Special	512,193	622,193	617,910	4,283
Vocational	50,730	50,730	2,463	48,267
Other	556,125	437,535	390,740	46,795
Support Services:				
Pupils	441,255	461,255	459,859	1,396
Instructional Staff	526,106	516,183	550,688	(34,505)
Board of Education	63,574	53,574	42,824	10,750
Administration	903,071	899,175	863,962	35,213
Fiscal	319,468	329,468	332,360	(2,892)
Business	120,907	120,907	119,348	1,559
Operation and Maintenance of Plant	892,317	892,317	974,791	(82,474)
Pupil Transportation	626,033	968,279	930,444	37,835
Central	179,972	179,972	148,049	31,923
Operation of Non-Instructional Services			3,806	(3,806)
Extracurricular Activities	207,283	207,283	223,119	(15,836)
<b>Total Expenditures</b>	<u>9,377,589</u>	<u>10,012,892</u>	<u>9,824,765</u>	<u>188,127</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(543,816)</u>	<u>(1,179,119)</u>	<u>(32,731)</u>	<u>1,146,388</u>
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures	89	89	2,655	2,566
Advances In	2,500	2,500	6,500	4,000
Proceeds from Sale of Capital Assets	4,000	4,000		(4,000)
Transfers Out	(62,228)	(62,228)	(76,155)	(13,927)
Advances Out	(70,655)	(70,655)		70,655
Refund of Prior Year Receipts	(23,466)	(23,466)		23,466
<b>Total Other Financing Sources and Uses</b>	<u>(149,760)</u>	<u>(149,760)</u>	<u>(67,000)</u>	<u>82,760</u>
<b>Net Change in Fund Balances</b>	<u>(693,576)</u>	<u>(1,328,879)</u>	<u>(99,731)</u>	<u>1,229,148</u>
Fund Balance (Deficit) at Beginning of Year	1,379,747	1,379,747	1,379,747	0
Prior Year Encumbrances Appropriated	205,392	205,392	205,392	0
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 891,563</u>	<u>\$ 256,260</u>	<u>\$ 1,485,408</u>	<u>\$ 1,229,148</u>

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>10,169</u>	\$ <u>32,802</u>
Total Assets	<u>10,169</u>	<u>32,802</u>
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies	<u>0</u>	<u>32,802</u>
Total Liabilities	<u>0</u>	<u>32,802</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	10,169	
Total Net Assets	\$ <u>10,169</u>	\$ <u>0</u>

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2008**

	<u>Private Purpose Trust</u>
<b>ADDITIONS:</b>	
Gifts and Contributions	\$ 2,916
Interest	<u>77</u>
Total Additions	<u>2,993</u>
<b>DEDUCTIONS:</b>	
Payments in Accordance with Trust Agreements	<u>2,958</u>
Total Deductions	<u>2,958</u>
Change in Net Assets	35
Net Assets Beginning of Year	<u>10,134</u>
Net Assets End of Year	<u>\$ 10,169</u>

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Patrick Henry Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Patrick Henry Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 51 non-certified and 73 certified full-time teaching personnel who provide services to 1,087 students and other community members.

**The Reporting Entity**

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

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

The District is associated with six organizations, which are defined as jointly governed organizations, insurance pools, and a related organization. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, the Schools of the Ohio Risk Sharing Authority, and the Edwin Wood Memorial Library. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

Government-Wide Financial Statements

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



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

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

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements

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

Fund Financial Statements

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

**D. Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

**E. Budgetary Process**

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**F. Cash and Investments**

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

During fiscal year 2008, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. During fiscal year 2008, interest revenue was credited in the amount of \$46,989 to the General Fund and \$24,090 to Other Governmental Funds.

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

**G. Restricted Assets**

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Capital Assets**

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years
Textbooks	10 years

**I. Compensated Absences**

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

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

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**K. Net Assets**

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

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

The District reports \$1,334,153 of restricted net assets on its statement of net assets, none of which is restricted by enabling legislation.

**L. Fund Balance Reserves and Designations**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**M. Interfund Activity**

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**N. Estimates**

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

**O. Pass-Through Grants**

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

**3. BUDGETARY BASIS OF ACCOUNTING**

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

<b>Net Change in Fund Balance Major Governmental Fund</b>	
GAAP Basis	\$383,111
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2007, Received In Cash FY 2008	818,948
Accrued FY 2008, Not Yet Received in Cash	(751,172)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(1,035,806)
Accrued FY 2008, Not Yet Paid in Cash	865,282
Advances Net	6,500
Encumbrances Outstanding at Year End (Budget Basis)	<u>(386,594)</u>
Budget Basis	<u><u>(\$99,731)</u></u>

**4. DEPOSITS AND INVESTMENTS**

Statement No. 3 of the Government Accounting Standards Board requires government entities to categorize deposits and investments to give an indication of the level of risk assumed by the entity at year-end. These categories of risk follow:

	<u>Cash</u>	<u>Investments</u>
Category 1	Deposits that are either insured or collateralized with securities held by the District or by its agent in the District's name.	Investments that are insured or registered, or securities held by District or by its agent in the District's name.
Category 2	Deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.	Investments that are uninsured and registered, with securities held by the counterparty's trust department or agent in the District's name.
Category 3	Deposits that are uncollateralized (including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the District's name).	Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not held in the District's name.
Not Categorized		Investments in mutual funds, money markets and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

The District maintained \$0 in cash on hand at June 30, 2008.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

For deposits, custodial credit risk for deposits is the risk that in the event of bank failure, the government's deposits may not be returned to it. At June 30, 2008, the carrying amount of the District's cash deposits was \$2,725,850 and the bank balance was \$3,030,107. At June 30, 2008, \$305,783 of the bank balance was insured by the FDIC (Category 1). The remaining balance was covered by a 105 percent public depository pool, which was collateralized with securities held by pledging financial institution trust department but not in the District's name. Although all State statutory requirements for the deposit of money have been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

As of June 30, 2008, the District had \$503,383 invested in STAR Ohio.

**Interest rate risk** – Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have an investment policy that addresses interest rate risk.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have an investment policy, which addresses credit risk. Standard & Poor's rated STAR Ohio AAAm.

**Concentration of credit risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have an investment policy, which addresses concentration of credit risk. 100 percent of the District's investments are in STAR Ohio.

**Custodial credit risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are all held in the name of The District. The District complies with Ohio Revised Code requirements for governments for the types of securities permitted. Otherwise, the District does not have an investment policy, which addresses custodial credit risk.

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes for 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**5. PROPERTY TAXES (Continued)**

Public utility real and tangible personal property taxes for 2008 were levied after April 1, 2007, on the assessed values as of December 31, 2006, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2008 were levied after April 1, 2007, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

The District receives property taxes from Henry, Putnam, and Wood Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2007, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2008 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2008, was \$145,050 in the General Fund, \$17,962 in the Bond Retirement Debt Service Fund, \$10,958 in the Capital Projects Fund, and \$0 in the Special Revenue Fund. The amount available as an advance at June 30, 2007, was \$220,815 in the General Fund, \$26,865 in the Bond Retirement Debt Service Fund, and \$16,684 in the Capital Projects Fund and \$0 in the Special Revenue Fund.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**5. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2008 taxes were collected are:

	<b>2007 Second- Half Collections</b>		<b>2008 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$79,318,660	83%	\$80,299,520	86%
Industrial/Commercial	7,568,120	8%	7,601,880	8%
Public Utility	5,420,640	6%	3,752,260	4%
Tangible Personal	2,876,457	3%	2,194,151	2%
Total Assessed Value	<u>\$95,183,877</u>	<u>100%</u>	<u>\$93,847,811</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$44.51		\$44.51	

**6. INCOME TAX**

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

**7. RECEIVABLES**

Receivables at June 30, 2008, consisted of property, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities	
HSTW	\$2,494
Title I	9,766
Title V	884
Drug Free Schools	316
Title II-A	21,374
Total Intergovernmental Receivables	<u>\$34,834</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<b>Balance at 6/30/07</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/08</b>
Nondepreciable Capital Assets	\$592,870	\$0	\$0	\$592,870
	<u>592,870</u>	<u>0</u>	<u>0</u>	<u>592,870</u>
Depreciable Capital Assets				
Land Improvements	619,184	39,658	0	658,842
Buildings and Building Improvements	16,104,384	531,292	0	16,635,676
Furniture, Fixtures, and Equipment	2,811,183	149,608	0	2,960,791
Vehicles	1,118,244	355,909	184,508	1,289,645
Books	760,442	0	0	760,442
Total Depreciable Capital Assets	<u>21,413,437</u>	<u>1,076,467</u>	<u>184,508</u>	<u>22,305,396</u>
Less Accumulated Depreciation				
Land Improvements	408,730	16,460	0	425,190
Buildings and Building Improvements	3,289,179	290,902	0	3,580,081
Furniture, Fixtures, and Equipment	2,114,148	153,420	0	2,267,568
Vehicles	774,640	66,888	166,055	675,473
Books	660,221	23,110	0	683,331
Total Accumulated Depreciation	<u>7,246,918</u>	<u>550,780</u>	<u>166,055</u>	<u>7,631,643</u>
Depreciable Capital Assets, Net	<u>14,166,519</u>	<u>525,687</u>	<u>18,453</u>	<u>14,673,753</u>
Governmental Activities Capital Assets, Net	<u>\$14,759,389</u>	<u>\$525,687</u>	<u>\$18,453</u>	<u>\$15,266,623</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$297,829
Special	11,830
Vocational	1,376
Support Services:	
Pupil	2,418
Instructional Staff	19,848
Administration	18,119
Fiscal	529
Operation and Maintenance of Plant	83,475
Pupil Transportation	21,288
Non-Instructional Services	9,546
Extracurricular	20,075
Capital Outlay	64,447
Total Depreciation Expense	<u>\$550,780</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts: theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the District contracted with the Schools of the Ohio Risk Sharing Authority for the following insurance coverages.

Building and Contents - replacement cost (\$1,000 deductible)	\$39,264,306
Inland Marine Coverage (included in Building and Contents)	200,000
Employee Dishonesty Bond - blanket (\$1,000 deductible)	100,000
Vehicle Liability (combined single limit)	11,000,000
Medical Payments per Person	5,000/25,000
Uninsured/Underinsured Motorists	2,000,000
General Liability	
Per occurrence	11,000,000
Total per year	13,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. During fiscal year 2008, the District reviewed its insurance needs and adjusted coverages as deemed appropriate.

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including health, dental, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs. See Note 16 for additional information on the program.

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. See Note 16 for additional information on the plan.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**10. DEFINED PENSION BENEFIT PLANS**

**A. School Employee Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$153,576, \$171,611 and \$158,337, respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. The unpaid contribution for fiscal year 2008 is \$114,072.

**B. State Teachers Retirement System**

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**10. DEFINED PENSION BENEFIT PLANS (Continued)**

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$568,638, \$542,090, and \$542,435 respectively; 82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. The unpaid contribution for fiscal year 2008 is \$107,736.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, five members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**11. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$69,747, \$67,166, and \$62,557 respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$11,066, \$10,605, and \$98,77 respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$43,7401, \$41,726, and \$43,001 respectively; 82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.



**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Other Employee Benefits**

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

**13. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2008, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	<b>Balance at 06/30/07</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance at 06/30/08</b>	<b>Amount Due In one Year</b>
Note Payable	\$279,000	\$0	\$31,000	\$248,000	\$31,000
General Obligation Bond Series 2002					
Serial 2%-4.75%	1,375,000	0	135,000	1,240,000	145,000
Term 2%-4.75%	3,075,000	0	0	3,075,000	0
Capital Appreciation	367,459	28,974	0	396,433	0
Energy Conservation Loans	680,000	0	45,333	634,667	45,333
Lease Purchase Agreement	0	284,380	75,446	208,934	66,859
Compensated Absences	702,807	693,381	702,807	693,381	0
<b>Total Long-Term Obligations</b>	<b>\$6,479,266</b>	<b>\$1,006,735</b>	<b>\$989,586</b>	<b>\$6,496,415</b>	<b>\$288,192</b>

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. LONG-TERM OBLIGATIONS (Continued)**

The note payable is part of a Fiber Optic Network Project. The original liability for the District was \$465,000. The District paid \$31,000 in fiscal year 2008. The remaining liability is payable in annual installments of \$31,000 with final maturity in fiscal year 2016. The note is non-interest bearing.

The OSFC Bond Issue was entered into in 2002 for the amount of \$5,101,000. The bond was issued to retire notes issued for the construction of a new school building and renovation of other buildings. The bond issue includes serial, term and capital appreciation bonds, in the amount of \$1,816,000, \$3,075,000, and \$210,000, respectively. The bonds carry interest rates ranging from 2 percent to 4.75 percent and with a final maturity in fiscal year 2030.

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

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

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

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

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

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

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

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**13. LONG-TERM OBLIGATIONS (Continued)**

The current interest bonds maturing after December 1, 2012 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after December 31, 2012, at 100 percent of the principal amount redeemed plus accrued interest to the date fixed for redemption. The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2010 through 2013. The maturity amount of the bonds is \$660,000. For fiscal year 2008, \$28,974 was accreted on the capital appreciation bonds for a total outstanding bond value of \$4,711,433 at fiscal year end.

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2007 are as follows:

Year Ending June 30,	Serial	Term	Capital	Energy Loan	Notes	Interest	Total
2009	\$145,000	\$0	\$0	\$45,333	\$31,000	\$219,195	\$440,528
2010	160,000	0	0	45,334	31,000	212,578	448,912
2011	0	0	60,000	45,333	31,000	208,064	344,397
2012	0	0	55,000	45,333	31,000	206,129	337,462
2013	0	0	50,000	45,334	31,000	204,074	330,408
2014-2018	335,000	360,000	45,000	226,667	93,000	936,457	1,996,124
2019-2023	600,000	450,000	0	181,333	0	684,565	1,915,898
2024-2028	0	1,320,000	0	0	0	387,125	1,707,125
2029-2031	0	945,000	0	0	0	68,756	1,013,756
Total	<u>\$1,240,000</u>	<u>\$3,075,000</u>	<u>\$210,000</u>	<u>\$634,667</u>	<u>\$248,000</u>	<u>\$3,126,943</u>	<u>\$8,534,610</u>

**14. CAPITAL LEASE COMMITMENTS**

The District is obligated under one lease accounting for as capital leases. The cost of the leased assets (four new school buses) is accounted for in the Government Activities Capital Assets and the related liability in the Government Activities Long-Term Liabilities. The original cost of the asset under capital lease was \$284,380 at 4.11% interest.

The following is a schedule of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2008:

Fiscal Year Ending June 30,	General Long-Term Obligations
2009	\$75,446
2010	75,446
2011	75,446
Total Future Minimum Lease Payments	226,338
Less: Amount Representing Interest	(17,404)
Present Value of Future Minimum Lease Payments	<u>\$208,934</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**15. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2008, only the unspent portion of certain workers' compensation refunds is required to be set-aside at fiscal year end.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2007	(\$775,175)	\$0	\$23,745
Current Year Set-aside Requirement	164,476	164,476	0
Current Year Offsets	0	(56,699)	0
Qualifying Disbursements	(173,844)	(107,777)	0
Amount Carried Forward to Fiscal Year 2009	<u>(784,543)</u>	<u>0</u>	<u>\$23,745</u>
Set-Aside Cash Balance as of June 30, 2008	<u>(\$784,543)</u>	<u>\$0</u>	<u>\$23,745</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to offset future year textbook set-aside requirements.

**16. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Northern Buckeye Education Council governs NWOCA and its participating members. In fiscal year 2008, the District contributed \$81,506 to NWOCA. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**C. Four County Career Center**

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

**17. GROUP PURCHASING POOLS**

**A. Northern Buckeye Education Council Employee Insurance Benefits Program**

The Northern Buckeye Education Council Employee Insurance Benefits Program (the Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties. The NBEC and its participating members govern the Program. In fiscal year 2008, the District contributed \$880,998 to the Northern Buckeye Education Council for insurance premiums. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the Northern Buckeye Education Council and the participating members of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participating members pay an enrollment fee, \$996 in fiscal year 2008, to the Plan to cover the costs of administering the program.

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

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

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

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**18. RELATED ORGANIZATION**

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

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

**19. CONTINGENCIES**

**A. Grants**

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

**B. Litigation**

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

**20. RESTRICTED ASSETS**

The following amounts, which are reflected on the statement of net assets, are restricted for various purposes.

	<b>Governmental Activities</b>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$23,745

**21. INTERFUND ACTIVITY**

Interfund Transfers

Transfers made during the year ended June 30, 2008 were as follows:

	Transfers In	Transfers Out
Major Fund:		
General Fund	\$0	\$76,155
Non-Major Funds:		
Bond Retirement Debt Service	76,155	0
Total	\$76,155	\$76,155

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**21. INTERFUND ACTIVITY (Continued)**

Transfers were provided by the general fund for debt payments.

Interfund Balances

The District did not have any Interfund balances at June 30, 2008:

**22. CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2008, the District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement addresses how state and local governments should account and disclose their costs and obligations related to postemployment healthcare and other non-pension benefits. The implementation had no effect on the District's financial statement amounts.

In May 2007, the GASB issued Statement No. 50, Pension Disclosures. The District has determined that the adoption of this statement did not have an impact on the District's financial statements; however, note disclosures related to pension benefits has been modified.

# BALESTRA, HARR & SCHERER CPAs, INC.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Patrick Henry Local School District, Henry County (the District) as of and for the year ended June 30, 2008, and have issued our report thereon dated February 13, 2009, in which we indicate that the District implemented GASB Statements No. 45 and No. 50. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. These items are identified in the accompanying schedule of findings and responses as items 2008-001, 2008-002 and 2008-003.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider a significant deficiency described above to be a material weakness. This item is identified in the accompanying schedule of finding and responses as item 2008-001.



Patrick Henry Local School District  
Henry County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

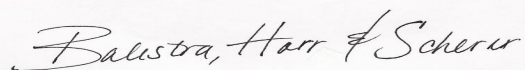
### **Compliance and Other Matters**

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

We noted certain non-compliance and other matters that we have reported to the District's management in a separate letter dated February 13, 2009.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Balestra, Harr & Scherer, CPAs, Inc.

February 13, 2009

**Patrick Henry Local School District**  
*Schedule of Findings and Responses*  
*For the Fiscal Year Ended June 30, 2008*

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**Finding 2008-001**

**Material Weakness – Audit Adjustments**

A material misstatement to the issued financial statements was identified by the Auditor which should have been prevented or detected by the District's internal controls over financial reporting. The material misstatement was identified in the following area:

- Unrecorded capital lease obligation

Adjustments were required to record the liability on the entity-wide statements and reconciliations. Also, there were numerous changes required to properly present footnote disclosures.

The accompanying financial statements were adjusted to reflect correction of a material misstatement. The District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

**Clients Response:**

The bus capital lease will be properly recorded.

**Finding 2008-002**

**Significant Deficiency – Capital Assets**

The District had an appraisal performed as of the end of fiscal year 2006. However, the appraisal report appears to be incorrect as land and buildings were not recognized, resulting in variances between recorded cost basis assets and appraised cost basis assets. These variances had not been resolved as of the audit report date. Furthermore, the District does not maintain a comprehensive capital asset manual.

The District does not have a comprehensive capital asset policies and procedures manual to assist in defining items to be capitalized and depreciated. The lack of a comprehensive capital asset listing and a thorough capital asset policies and procedures manual could result in errors or irregularities occurring and not being detected in a timely manner.

In order to address the items mentioned above, the District should implement the following procedures:

- Develop a comprehensive capital assets policies and procedures manual which encompasses all types of capital assets including land, land improvements, buildings, infrastructure, machinery and equipment, and any other capital assets. This manual needs to address capitalization areas such as dollar amounts over which items will be capitalized, potential capitalization of large batch purchases of capital assets under the dollar threshold, estimated useful lives for various types of capital assets, defining which networks of infrastructure will and won't be reported and how much information should be maintained for these items, incorporation of infrastructure capital assets for governmental activities into the capital asset management system, and other pertinent areas.
- Conduct a physical inventory of all capital assets and update the capital asset management system to properly reflect all capital assets owned by the District. Any differences should be investigated and appropriately documented.
- Reconcile the detailed capital asset report with the capital asset amounts reported in the financial statements and make appropriate corrections and adjustments to the District's capital asset records. Maintain a detailed file documenting differences noted, how items were corrected, and explanations regarding all changes made to the District's capital asset system.
- Provide or obtain appropriate training for all District personnel who will be involved in capital asset accounting and reporting.

**Patrick Henry Local School District**  
*Schedule of Findings and Responses*  
*For the Fiscal Year Ended June 30, 2008*

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**Finding 2008-002**

**Significant Deficiency – Capital Assets (Continued)**

In addition, the District should contact its appraiser and GAAP financial statement compilation consultant and investigate and resolve the issues regarding the errors in capital assets.

**Client Response:**

The Treasurer is currently creating a manual as requested.

**Finding 2008-003**

**Significant Deficiency – Student Activities**

Student activity advisors were not properly completing, reviewing and maintaining sales project potential forms. Also, the Treasurer was not reviewing the student activity advisors procedures and records to determine they followed the District's policy for record keeping for all fundraising activities.

The District should require all student activity advisors to utilize sales potential forms. These forms should be properly completed, reviewed and maintained. The treasurer should adopt application and monitoring controls for student activity advisors records to insure they follow District policy. Also, the Treasurer should review the sales potential project forms and compare them to the advisors records to assure they agree. The forms should contain sufficient detail to document the source and amount of all receipts and support the related expenditures.

**Client Response:**

Advisors will be informed of the proper fund raising procedures. Activity accounts will be closely monitored to ensure the proper procedures are followed.

**PATRICK HENRY LOCAL SCHOOL DISTRICT  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	A reportable condition for the capital asset errors and for the District to adopt a formal capital assets policy.	No	Reissued as Finding 2008-002



**Mary Taylor, CPA**  
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 7, 2009**