

Patrick Henry Local School District

Henry County, Ohio

Regular Audit

July 1, 2008 through June 30, 2009

Fiscal Year Audited Under GAGAS: 2009

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, 2008 through June 30, 2009. 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 15, 2010

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Patrick Henry Local School District
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Independent Auditor's Report

Members of the Board
Patrick Henry Local School District
6-900 State Route 18
Hamler, Ohio 43524

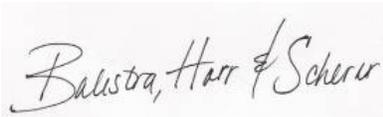
We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Patrick Henry Local School District (the District), Henry County, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brookville Local School 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, its major fund, and the aggregate remaining fund information of the Patrick Henry Local School District, as of June 30, 2009, and the respective changes in financial position 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 December 30, 2009, on our consideration of the Patrick Henry Local School 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Balestra, Harr & Scherer, CPAs, Inc.
December 30, 2009

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009
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, 2009. 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 2009 are as follows:

In total, net assets decreased \$232,990.

General revenues accounted for \$10,019,250, or 83 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants accounted for \$2,022,862 or 17 percent of total revenues of \$12,042,112.

The District's major funds include the General Fund. The General Fund had \$10,118,183 in revenues and other financing sources and \$10,266,386 in expenditures and other financing uses. The General Fund's balance decreased \$148,203 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 2009. 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, 2009
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, 2009
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2009.

Table 1 Net Assets Governmental Activities		
	2009	2008
<u>Assets:</u>		
Current and Other Assets	\$8,230,711	\$8,808,461
Capital Assets, Net	15,467,310	15,266,623
Total Assets	23,698,021	24,075,084
<u>Liabilities:</u>		
Current and Other Liabilities	5,597,197	5,542,769
Long-Term Liabilities	6,297,914	6,496,415
Total Liabilities	11,895,111	12,039,184
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	9,898,313	9,463,589
Restricted	855,273	1,334,153
Unrestricted	1,049,324	1,238,158
Total	\$11,802,910	\$12,035,900

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

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

Table 2 Change in Net Assets Governmental Activities		
	2009	2008
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$898,443	\$888,866
Operating Grants, Contributions and Interest	1,124,419	1,042,932
Total Program Revenues	2,022,862	1,931,798
General Revenues:		
Property Taxes	2,945,012	2,966,294
Income Taxes	1,794,533	1,878,057
Grants and Entitlements	5,111,824	4,913,330
Investment Earnings	29,793	71,079
Miscellaneous	121,568	127,730
Proceeds from Sale of Capital Assets	16,520	4,400
Total General Revenues	10,019,250	9,960,890
Total Revenues	12,042,112	11,892,688

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009
Unaudited
(Continued)**

<u>Expenses:</u>		
Instruction	6,572,987	6,053,500
Support Services:		
Pupils	465,050	478,809
Instructional Staff	543,105	669,714
Board of Education	34,383	42,802
Administration	1,036,310	935,558
Fiscal	346,512	336,741
Business	123,949	119,199
Operation and Maintenance of Plant	980,920	894,458
Pupil Transportation	542,568	347,094
Central	228,418	162,441
Non-Instructional	457,249	429,688
Extracurricular Activities	486,907	454,358
Capital Outlay	276,295	286,880
Interest and Fiscal Charges	180,449	285,850
Total Expenses	<u>12,275,102</u>	<u>11,497,092</u>
Increase/(Decrease) in Net Assets	<u>(\$232,990)</u>	<u>\$395,596</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**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2009	2009	2008	2008
Instruction	\$6,572,987	\$5,303,642	\$6,053,500	\$4,948,294
Support Services:				
Pupils	465,050	460,050	478,809	473,809
Instructional Staff	543,105	515,924	669,714	554,752
Board of Education	34,383	34,383	42,802	42,802
Administration	1,036,310	971,940	935,558	880,528
Fiscal	346,512	346,512	336,741	336,741
Business	123,949	123,949	119,199	119,199
Operation and Maintenance of Plant	980,920	978,279	894,458	891,304
Pupil Transportation	542,568	536,005	347,094	341,841
Central	228,418	216,418	162,441	150,441
Non-Instructional	457,249	(19,745)	429,688	(49,503)
Extracurricular Activities	486,907	328,139	454,358	302,356
Capital Outlay	276,295	276,295	286,880	286,880
Interest and Fiscal Charges	180,449	180,449	285,850	285,850
Total Expenses	<u>\$12,275,102</u>	<u>\$10,252,240</u>	<u>\$11,497,092</u>	<u>\$9,565,294</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009
Unaudited
(Continued)**

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 80 percent of instruction activities is supported through taxes and other general revenues. For all governmental activities, support from general revenues is 84 percent. The remaining 16 percent is derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental fund is the General Fund. Total governmental funds had revenues and other sources of \$12,170,679 and expenditures and other uses of \$12,793,032. The net negative change of \$622,353 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 2009, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$10,918,936 while actual expenditures were \$10,783,194. The \$135,742 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 2009, the District had \$15,467,310 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, 2009, the District had \$4,595,407 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 \$589,334 owed on a \$634,667 energy conservation note that will mature on December 1, 2021 and General Obligation notes outstanding of \$217,000, which matures during fiscal year 2016.

The District also had \$167,255 outstanding associated with capital leases

At June 30, 2009, the District's overall legal debt margin was \$5,156,562, with an un-voted debt margin of \$108,355.

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, 2009
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. 46.7 percent of District revenue sources are from local funds, 47.2 percent is from state funds, and the remaining 6.1 percent is from federal funds. The total expenditure per pupil was calculated at \$9,503.15.

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, 2009**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	2,426,853
Materials and Supplies Inventory		5,648
Accrued Interest Receivable		2,524
Accounts Receivable		354
Intergovernmental Receivable		18,211
Taxes Receivable		5,075,508
Income Taxes Receivable		701,613
Capital Assets:		
Non-Depreciable Capital Assets		592,870
Depreciable Capital Assets, net		14,874,440
Total Assets		<u>23,698,021</u>
 LIABILITIES:		
Accounts Payable		16,338
Accrued Wages and Benefits		635,323
Contracts Payable		42,356
Intergovernmental Payable		242,037
Accrued Interest Payable		17,715
Matured Compensated Absences Payable		133,308
Deferred Revenue		4,510,120
Long-Term Liabilities:		
Due Within One Year		318,150
Due in More Than One Year		5,979,764
Total Liabilities		<u>11,895,111</u>
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		9,898,313
Restricted for Debt Service		218,593
Restricted for Capital Outlay		93,071
Restricted for Other Purposes		519,864
Restricted for Set Asides		23,745
Unrestricted		1,049,324
Total Net Assets	\$	<u>11,802,910</u>

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, 2009**

		Program Revenues		Net(Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 4,912,748	\$ 389,631	\$ 104,042	(4,419,075)
Special	1,251,296		770,369	(480,927)
Vocational	4,608		4,603	(5)
Other	404,335		700	(403,635)
Support Services:				
Pupils	465,050		5,000	(460,050)
Instructional Staff	543,105		27,181	(515,924)
Board of Education	34,383			(34,383)
Administration	1,036,310	64,370		(971,940)
Fiscal	346,512			(346,512)
Business	123,949			(123,949)
Operation and Maintenance of Plant	980,920		2,641	(978,279)
Pupil Transportation	542,568		6,563	(536,005)
Central	228,418		12,000	(216,418)
Operation of Non-Instructional Services	457,249	285,674	191,320	19,745
Extracurricular Activities	486,907	158,768		(328,139)
Capital Outlay	276,295			(276,295)
Debt Service:				
Interest and Fiscal Charges	180,449			(180,449)
Totals	\$ 12,275,102	\$ 898,443	\$ 1,124,419	(10,252,240)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,473,882
Property Taxes, Levied for Capital Outlay				126,280
Property Taxes, Levied for Debt Service				303,360
Property Taxes, Levied for Other				41,490
Income Taxes				1,794,533
Grants and Entitlements not Restricted to Specific Programs				5,111,824
Investment Earnings				29,793
Miscellaneous				121,568
Proceeds from Sale of Capital Assets				16,520
Total General Revenues				10,019,250
Change in Net Assets				(232,990)
Net Assets Beginning of Year				12,035,900
Net Assets End of Year			\$	11,802,910

See Accompanying Notes to the Basic Financial Statements

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2009**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,501,285	\$ 901,823	2,403,108
Materials and Supplies Inventory		5,648	5,648
Accrued Interest Receivable	2,524		2,524
Accounts Receivable	354		354
Intergovernmental Receivable		18,211	18,211
Taxes Receivable	4,586,830	488,678	5,075,508
Income Taxes Receivable	701,613		701,613
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	23,745		23,745
Total Assets	\$ 6,816,351	\$ 1,414,360	\$ 8,230,711
Liabilities			
Current Liabilities:			
Accounts Payable	\$	\$ 16,338	16,338
Accrued Wages and Benefits	601,159	34,164	635,323
Contracts Payable		42,356	42,356
Intergovernmental Payable	220,750	21,287	242,037
Matured Compensated Absences Payable	133,308		133,308
Deferred Revenue	4,251,455	467,494	4,718,949
	5,206,672	581,639	5,788,311
Fund Balances			
Reserved:			
Reserved for Encumbrances	648,358	44,344	692,702
Reserved for Property Taxes	456,527	22,384	478,911
Reserved for Budget Stabilization	23,745		23,745
Unreserved, Undesignated, Reported in:			
General Fund	481,049		481,049
Special Revenue Funds		498,098	498,098
Debt Service Funds		211,157	211,157
Capital Projects Funds		56,738	56,738
Total Fund Balances	1,609,679	832,721	2,442,400
Total Liabilities and Fund Balances	\$ 6,816,351	\$ 1,414,360	\$ 8,230,711

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, 2009**

Total Governmental Fund Balances	\$	2,442,400
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		15,467,310
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		208,829
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
Accrued Interest Payable	(17,715)	
General Obligation Bonds Payable	(4,595,407)	
Notes Payable	(806,334)	
Capital Leases Payable	(167,256)	
Compensated Absences Payable	(728,917)	
		(6,315,629)
Net Assets of Governmental Activities	\$	11,802,910

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, 2009**

	General Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property and Other Local Taxes	\$ 2,471,888	\$ 469,340	\$ 2,941,228
Income Tax	1,801,622		1,801,622
Intergovernmental	5,371,961	871,348	6,243,309
Interest	25,232	4,561	29,793
Tuition and Fees	388,107		388,107
Rent	1,524		1,524
Extracurricular Activities		223,138	223,138
Customer Sales and Services		285,674	285,674
Miscellaneous	2,369	119,199	121,568
Total Revenues	10,062,703	1,973,260	12,035,963
EXPENDITURES:			
Current:			
Instruction:			
Regular	4,563,590	66,618	4,630,208
Special	763,015	481,617	1,244,632
Vocational	3,232		3,232
Other	402,735	1,600	404,335
Support Services:			
Pupils	458,001	5,430	463,431
Instructional Staff	533,903	13,382	547,285
Board of Education	34,383		34,383
Administration	916,457	96,458	1,012,915
Fiscal	342,711		342,711
Business	122,378		122,378
Operation and Maintenance of Plant	866,079	104,398	970,477
Pupil Transportation	503,963		503,963
Central	212,106	12,000	224,106
Operation of Non-Instructional Services	1,809	444,352	446,161
Extracurricular Activities	229,345	238,899	468,244
Capital Outlay	158,782	682,561	841,343
Debt Service:			
Principal	80,638	221,333	301,971
Interest		152,021	152,021
Total Expenditures	10,193,127	2,520,669	12,713,796
Excess of Revenues Over (Under) Expenditures	(130,424)	(547,409)	(677,833)
OTHER FINANCING SOURCES AND USES:			
Transfers In		79,236	79,236
Proceeds from Sale of Capital Assets	16,520		16,520
Inception of Capital Lease	38,960		38,960
Transfers Out	(73,259)	(5,977)	(79,236)
Total Other Financing Sources and Uses	(17,779)	73,259	55,480
Net Change in Fund Balances	(148,203)	(474,150)	(622,353)
Fund Balance (Deficit) at Beginning of Year	1,757,882	1,306,871	3,064,753
Fund Balance (Deficit) at End of Year	\$ 1,609,679	\$ 832,721	\$ 2,442,400

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, 2009**

Net Change in Fund Balances - Total Governmental Funds \$ (622,353)

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	756,488	
Depreciation	<u>(555,549)</u>	
		200,939

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		(252)
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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	(7,066)	
Income Taxes	(7,089)	
Delinquent Property Taxes	<u>3,784</u>	
		(10,371)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		301,971
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Inception of Capital Lease		(38,960)
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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	(28,428)	
Compensated Absences Payable	<u>(35,536)</u>	
		<u>(63,964)</u>

Change in Net Assets of Governmental Activities		\$ <u><u>(232,990)</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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 2,413,829	\$ 2,413,829	\$ 2,160,411	\$ (253,418)
Income Tax	1,871,576	1,871,576	1,819,714	(51,862)
Intergovernmental	4,716,991	4,716,991	5,371,961	654,970
Interest	44,347	44,347	27,304	(17,043)
Tuition and Fees	374,050	374,050	387,753	13,703
Rent			1,524	1,524
Miscellaneous	4,086	4,086	2,687	(1,399)
Total Revenues	<u>9,424,879</u>	<u>9,424,879</u>	<u>9,771,354</u>	<u>346,475</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,117,236	4,651,432	4,454,481	196,951
Special	622,193	783,193	784,566	(1,373)
Vocational	50,730	50,530	3,220	47,310
Other	437,535	429,535	402,744	26,791
Support Services:				
Pupils	443,342	427,485	478,287	(50,802)
Instructional Staff	518,207	515,948	558,638	(42,690)
Board of Education	53,609	53,609	33,945	19,664
Administration	918,678	922,684	941,209	(18,525)
Fiscal	320,584	320,584	357,195	(36,611)
Business	121,325	121,325	125,948	(4,623)
Operation and Maintenance of Plant	1,003,532	1,006,838	1,009,206	(2,368)
Pupil Transportation	1,204,297	1,013,586	591,226	422,360
Central	180,938	180,938	212,334	(31,396)
Operation of Non-Instructional Services				
Food Service Operations			1,809	(1,809)
Extracurricular Activities	207,283	207,283	229,577	(22,294)
Capital Outlay		150,707	525,550	(374,843)
Total Expenditures	<u>10,199,489</u>	<u>10,835,677</u>	<u>10,709,935</u>	<u>125,742</u>
Excess of Revenues Over (Under) Expenditures	<u>(774,610)</u>	<u>(1,410,798)</u>	<u>(938,581)</u>	<u>472,217</u>
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures	2,655	2,655		(2,655)
Advances In	6,500	6,500		(6,500)
Proceeds from Sale of Capital Assets			16,520	16,520
Transfers Out	(62,228)	(62,228)	(73,259)	(11,031)
Advances Out	(60,500)			0
Refund of Prior Year Receipts	(23,466)	(21,031)		21,031
Total Other Financing Sources and Uses	<u>(137,039)</u>	<u>(74,104)</u>	<u>(56,739)</u>	<u>17,365</u>
Net Change in Fund Balances	(911,649)	(1,484,902)	(995,320)	489,582
Fund Balance (Deficit) at Beginning of Year	1,485,408	1,485,408	1,485,408	0
Prior Year Encumbrances Appropriated	386,594	386,594	386,594	0
Fund Balance (Deficit) at End of Year	<u>\$ 960,353</u>	<u>\$ 387,100</u>	<u>\$ 876,682</u>	<u>\$ 489,582</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, 2009**

	Private Purpose Trust	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 10,190	\$ 35,493
Total Assets	10,190	35,493
Liabilities		
Current Liabilities:		
Undistributed Monies		35,493
Total Liabilities	0	35,493
Net Assets		
Held in Trust for Scholarships	10,190	0
Total Net Assets	\$ 10,190	\$ 0

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, 2009**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and Contributions	\$ 2,865
Interest	<u>46</u>
Total Additions	<u>2,911</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>2,890</u>
Total Deductions	<u>2,890</u>
Change in Net Assets	21
Net Assets Beginning of Year	<u>10,169</u>
Net Assets End of Year	<u>\$ 10,190</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, 2009**

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 76 certified full-time teaching personnel who provide services to 1,083 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, 2009
(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, 2009
(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, 2009
(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, 2009, but which were levied to finance fiscal year 2010 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, 2009
(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 2009, 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, 2009.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. During fiscal year 2009, interest revenue was credited in the amount of \$25,532 to the General Fund and \$4,561 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, 2009
(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, 2009
(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 \$855,273 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, 2009
(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 2009.

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
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	(\$148,203)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2008, Received In Cash FY 2009	748,517
Accrued FY 2009, Not Yet Received in Cash	(1,078,826)
Expenditure Accruals:	
Accrued FY 2008, Paid in Cash FY 2009	(862,627)
Accrued FY 2009, Not Yet Paid in Cash	994,177
Advances Net	
Encumbrances Outstanding at Year End (Budget Basis)	(648,358)
Budget Basis	<u><u>(\$995,320)</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, 2009.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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, 2009, the carrying amount of the District's cash deposits was \$1,966,088 and the bank balance was \$2,062,044. At June 30, 2009, \$515,912 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, 2009, the District had \$506,448 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 2009 represent the collection of calendar year 2008 taxes. Real property taxes for 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

5. PROPERTY TAXES (Continued)

Public utility real and tangible personal property taxes for 2009 were levied after April 1, 2008, on the assessed values as of December 31, 2007, 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 2009 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes for 2009 were levied after April 1, 2008, on the value as of December 31, 2007. 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, 2008, are available to finance fiscal year 2009 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, 2009 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 2009 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, 2009, was \$456,527 in the General Fund, \$15,149 in the Bond Retirement Debt Service Fund, \$7,185 in the Capital Projects Fund, and \$50 in the Special Revenue Fund. 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, and \$10,958 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, 2009
(Continued)**

5. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$80,299,520	86%	\$95,560,780	88%
Industrial/Commercial	7,601,880	8%	8,534,800	8%
Public Utility	3,752,260	4%	3,643,120	3%
Tangible Personal	2,194,151	2%	616,510	1%
Total Assessed Value	<u>\$93,847,811</u>	<u>100%</u>	<u>\$108,355,210</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, 2009, 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:

	Amount
Governmental Activities	
HSTW	\$1,080
Title I	5,215
Drug Free Schools	1,200
Title II-A	10,716
Total Intergovernmental Receivables	<u>\$18,211</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance at 6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/09</u>
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	658,842	25,232	0	684,074
Buildings and Building Improvements	16,635,676	444,646	0	17,080,322
Furniture, Fixtures, and Equipment	2,960,791	286,610	2,515	3,244,886
Vehicles	1,289,645	0	0	1,289,645
Books	760,442	0	0	760,442
Total Depreciable Capital Assets	<u>22,305,396</u>	<u>756,488</u>	<u>2,515</u>	<u>23,059,369</u>
Less Accumulated Depreciation				
Land Improvements	425,190	17,550	0	442,740
Buildings and Building Improvements	3,580,081	299,310	0	3,879,391
Furniture, Fixtures, and Equipment	2,267,568	153,066	2,263	2,418,371
Vehicles	675,473	74,068	0	749,541
Books	683,331	11,555	0	694,886
Total Accumulated Depreciation	<u>7,631,643</u>	<u>555,549</u>	<u>2,263</u>	<u>8,184,929</u>
Depreciable Capital Assets, Net	<u>14,673,753</u>	<u>200,939</u>	<u>252</u>	<u>14,874,440</u>
Governmental Activities Capital Assets, Net	<u>\$15,266,623</u>	<u>\$200,939</u>	<u>\$252</u>	<u>\$15,467,310</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$276,316
Special	13,006
Vocational	1,376
Support Services:	
Pupil	2,754
Instructional Staff	26,198
Administration	15,860
Fiscal	529
Operation and Maintenance of Plant	75,983
Pupil Transportation	40,469
Non-Instructional Services	10,129
Extracurricular	20,494
Capital Outlay	<u>72,435</u>
Total Depreciation Expense	<u>\$555,549</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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 2008, 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)	\$39,390,556
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	1,000,000
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 2009, 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 17 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 17 for additional information on the plan.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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, 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 2009, 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, 2009, 2008 and 2007 were \$126,593, \$153,576 and \$171,611, respectively; 47 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. The unpaid contribution for fiscal year 2009 is \$102,540.

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.

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.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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, 2009, 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 2008, 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, 2009, 2008, and 2007 were \$546,652, \$568,638, and \$542,090 respectively; 82 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. The unpaid contribution for fiscal year 2009 is \$108,404.

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, 2009, 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.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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, 2009, 2008, and 2007 were \$57,768, \$69,747, and \$67,166 respectively; 47 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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, 2009, 2008, and 2007 was \$9,121, \$11,066 and \$10,605, respectively; 47 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, 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, 2009, 2008, and 2007 were \$42,050, \$43,740, and \$41,726 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2008, (the latest information available) the balance in the Fund was \$3.7 billion. For the year ended June 30, 2008, net health care costs paid by STRS were \$288,878,000 and STRS has 126,506 eligible benefit recipients.

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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, 2009, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	Balance at 06/30/08	Increase	Decrease	Balance at 06/30/09	Amount Due In one Year
Note Payable	\$248,000	\$0	\$31,000	\$217,000	\$31,000
General Obligation Bond Series 2002					
Serial 2%-4.75%	1,240,000	0	145,000	1,095,000	160,000
Term 2%-4.75%	3,075,000	0	0	3,075,000	0
Capital Appreciation	396,433	28,974	0	425,407	0
Energy Conservation Loans	634,667	0	45,333	589,334	45,333
Lease Purchase Agreement	208,934	38,960	80,638	167,256	81,817
Compensated Absences	693,381	728,917	693,381	728,917	0
Total Long-Term Obligations	<u>\$6,496,415</u>	<u>\$796,851</u>	<u>\$995,352</u>	<u>\$6,297,914</u>	<u>\$318,150</u>

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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 2009. 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, 2009
(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 2009, \$28,974 was accreted on the capital appreciation bonds for a total outstanding bond value of \$4,595,407 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, 2008 are as follows:

Year Ending June 30,	Serial	Term	Capital	Energy Loan	Notes	Interest	Total
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	0	0	45,000	45,333	31,000	202,080	323,413
2015-2019	525,000	360,000	0	226,667	62,000	893,933	2,067,600
2020-2024	410,000	690,000	0	136,000	0	626,897	1,862,897
2025-2029	0	1,380,000	0	0	0	323,000	1,703,000
2030-2031	0	645,000	0	0	0	30,994	675,994
Total	<u>\$1,095,000</u>	<u>\$3,075,000</u>	<u>\$210,000</u>	<u>\$589,334</u>	<u>\$217,000</u>	<u>\$2,907,749</u>	<u>\$8,094,083</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 \$323,340 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
2010	\$89,225
2011	89,225
Total Future Minimum Lease Payments	178,450
Less: Amount Representing Interest	(11,195)
Present Value of Future Minimum Lease Payments	<u>\$167,255</u>

**PATRICK HENRY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(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 2009, 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, 2008	(\$784,543)	\$0	\$23,745
Current Year Set-aside Requirement	171,359	171,359	0
Current Year Offsets	0	(49,545)	0
Qualifying Disbursements	<u>(235,672)</u>	<u>(121,814)</u>	<u>0</u>
Amount Carried Forward to Fiscal Year 2010	<u>(\$848,856)</u>	<u>\$0</u>	<u>\$23,745</u>
Set-Aside Cash Balance as of June 30, 2009	<u>(\$848,856)</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 2009, the District contributed \$171,004 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, 2009
(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 2009, the District contributed \$758,638 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, \$1,030 in fiscal year 2009, 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, 2009
(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, 2009.

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.

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$23,745

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

21. INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2009 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund:		
General Fund	\$0	\$73,259
Non-Major Funds:		
Bond Retirement Fund	73,259	0
Permanent Improvement Fund	5,977	0
H. B. 264	0	5,977
Total	<u>\$79,236</u>	<u>\$79,236</u>

Transfers were provided by the general fund for debt payments.

Interfund Balances

The District did not have any Interfund balances at June 30, 2009:



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Members of the Board
Patrick Henry Local School District
6-900 State Route 18
Hamler, Ohio 43524

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Patrick Henry Local School District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Patrick Henry Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the school district's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the district's internal control will not prevent a material misstatement.

Our consideration of 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 or weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members of the Board

Patrick Henry Local School District

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Patrick Henry Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated December 30, 2009.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 30, 2009

**PATRICK HENRY LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	A material weakness was issued for audit adjustment for unrecorded capital lease.	Yes	Finding no longer valid; District now reports capital lease in financial statements
2008-02	A significant deficiency was issued for capital assets not recorded correctly in appraisal and not having a capital asset policy,	Yes	Significantly Different Corrective Action Taken; District implemented a capital asset policy and has worked to correct asset appraisal.
2008-03	A significant deficiency was issued for advisors not properly completing sales potential forms for fundraising events and the lack of a fundraising policy and procedure.	No	Partially Corrected; Move to Management Letter.



Independent Auditor's Report on Applying Agreed-Upon Procedures

Patrick Henry Local School District
Henry County
6-900 State Route 18
Hamler, Ohio 43524

To the Board of Education:

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

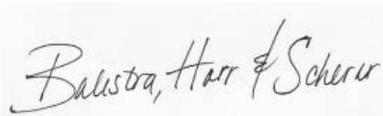
Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Patrick Henry Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is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

1. We noted the Board adopted an anti-harassment policy at its meeting on February 18, 2008.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;
 - 7) A procedure for responding to and investigating any reported incident;

- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 30, 2009



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
MARCH 25, 2010