



Dave Yost • Auditor of State

**LEIPSIC LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Leipsic Local School District
Putnam County
232 Oak Street
Leipsic, Ohio 45856-1312

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3 to the basic financial statements, the District implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions"

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, governmental activities and business type activities. The federal awards receipts and expenditures schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

February 27, 2012

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

This discussion and analysis of the Leipsic Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2011, within the limitations of the District's Cash Basis of Accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key highlights for 2011 are as follows:

Net assets of governmental activities decreased \$578,287, or 4.91 percent, from the prior year.

Net assets of business type activities increased \$5,087, or 6.61 percent, from the prior year.

The District's general governmental receipts were \$5,953,794 or 40.98 percent of all revenue, these being primarily property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$8,573,706 or 59.02 percent of total revenues of \$14,527,500.

The District's business type general receipts were \$552 or 0.16 percent of all revenue, these being primarily miscellaneous revenue. Program specific revenues in the form of charges for services and operating grants accounted for \$346,676 or 99.84 percent of total revenues of \$347,228.

The District had \$15,105,787 in expenses related to governmental activities: only \$8,573,706 of these expenses were offset by program specific charges for services and grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,953,794 were not adequate to provide for these programs.

The District had \$342,141 in expenses related to business type activities, these expenses were offset by program specific charges for services and operating grants of \$346,676. The District also had \$552 in general revenues and a beginning cash balance of \$76,963 which were adequate to provide for these programs.

The District's major governmental funds were the General Fund and Ohio School Facility Commission / Classroom Facility Assistance Program (OSFC/CFAP) Fund. The major funds had \$6,448,148 and \$6,889,766, respectively, in revenues and other financing sources, and \$5,829,069 and \$8,120,749, respectively, in expenditures and other uses. During fiscal year 2011, the major funds' balances, increased or (decreased) by \$619,079 and (\$1,230,983), respectively.

The District's business type food service fund had \$347,228 in revenue and \$342,141 in expenses. During fiscal year 2011 the food service fund balance increased \$5,087 from \$76,963 to \$82,050.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Using this Annual Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's Cash Basis of Accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. For governmental and business type 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 Leipsic Local School District, the General Fund, OSFC/CFAP Fund and the Food Service Fund are the most significant funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. The District has elected to present its financial statements on cash basis of accounting. Under the District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2011, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Factors which contribute to these changes may include, but not limited to, the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and required educational programs.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

In the statement of net assets and the statement of activities, the Governmental Activities include the District's programs and services including instruction, support services, non-instructional services, extracurricular activities, and capital outlay disbursements. The Business Type Activities include the District's food service operations.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The funds of the District are split into two categories: governmental and business type. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General Fund and OSFC/CFAP Fund, and Food Service Fund.

Governmental Funds - Most of the District activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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 of these funds are not available to support the District's programs.

Proprietary Fund – The Proprietary fund is used to account for the food service program of the District. This fund is accounted for separately on the entity wide statements.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2011 compared to fiscal year 2010 on the cash basis of accounting.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Table 1
Net Assets

| | Governmental Activities 2011 | Governmental Activities 2010 | Business Type Activities 2011 | Business Type Activities 2010 | Total Activities 2011 | Total Activities 2010 |
|------------------------------|------------------------------------|------------------------------------|--|--|-----------------------------|-----------------------------|
| Assets: | | | | | | |
| Cash and Cash Equivalents | \$11,207,358 | \$11,785,645 | \$82,050 | \$76,963 | \$11,289,408 | \$11,862,608 |
| Net Assets: | | | | | | |
| Restricted | 9,256,890 | 10,322,039 | 82,050 | 76,963 | 9,338,949 | 10,399,002 |
| Unrestricted | 1,950,468 | 1,463,606 | | | 1,950,468 | 1,463,606 |
| Total Net Assets | <u>\$11,207,358</u> | <u>\$11,785,645</u> | <u>\$82,050</u> | <u>\$76,963</u> | <u>\$11,289,408</u> | <u>\$11,862,608</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At year-end, net assets were \$11,207,358 for governmental activities and \$82,050 for business type activities.

A portion of the District's governmental net assets, \$9,256,890, represents resources that are subject to external restriction on how they may be used. The remaining balance of governmental net assets of \$1,950,468 may be used to meet the District's ongoing obligations to the students and creditors. The entire business type net assets total is restricted.

Table 2 reflects the changes in net assets from the prior year:

Table 2

| | Governmental Activities 2011 | Business Type Activities 2011 | Governmental Activities 2010 | Business Type Activities 2010 |
|--|------------------------------------|--|------------------------------------|-------------------------------------|
| Receipts: | | | | |
| Program Receipts: | | | | |
| Charges for Services and Sales | \$361,929 | \$168,749 | \$622,657 | \$160,027 |
| Operating Grants and Contributions | 1,302,062 | 177,927 | 574,460 | 178,379 |
| Capital Grants and Contributions | 6,909,715 | | 5,840,492 | |
| Total Program Receipts | <u>8,573,706</u> | <u>346,676</u> | <u>7,037,609</u> | <u>338,406</u> |
| General Receipts: | | | | |
| Property Taxes Levied for General Purposes | 1,459,750 | | 1,442,038 | |
| Property Taxes Levied for Debt Service | 187,421 | | 190,640 | |
| School District Income Taxes for General Purposes | 305,867 | | 285,674 | |
| School District Income Taxes for Capital Projects | 152,933 | | 142,837 | |
| Payment in Lieu of Taxes | 18,547 | | 18,960 | |
| Grants and Entitlements Not Restricted to Specific Programs | 3,685,886 | | 3,746,105 | |

(continued)

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

| | Governmental Activities 2011 | Business Type Activities 2011 | Governmental Activities 2010 | Business Type Activities 2010 |
|---|------------------------------------|--|------------------------------------|-------------------------------------|
| Proceeds from Sale of Capital Assets | 50,502 | | 35 | |
| Donations | 60,000 | | 83,800 | |
| Interest | 7,845 | | 63,138 | 128 |
| Miscellaneous | 25,043 | 552 | 30,599 | 387 |
| Total General Receipts | <u>5,953,794</u> | <u>552</u> | <u>6,003,826</u> | <u>515</u> |
| Total Receipts | <u>14,527,500</u> | <u>347,228</u> | <u>13,041,435</u> | <u>338,921</u> |
| Disbursements: | | | | |
| Instruction: | | | | |
| Regular | \$2,965,991 | | \$3,121,373 | |
| Special | 783,467 | | 853,250 | |
| Vocational | 263,798 | | 276,752 | |
| Support Services: | | | | |
| Pupil | 84,465 | | 71,835 | |
| Instructional Staff | 343,232 | | 273,678 | |
| Board of Education | 23,935 | | 24,693 | |
| Administration | 529,166 | | 520,130 | |
| Fiscal | 241,159 | | 247,843 | |
| Operation and Maintenance of Plant | 510,052 | | 485,778 | |
| Pupil Transportation | 254,272 | | 328,223 | |
| Operation of non-instructional services | 104,426 | | 107,320 | |
| Food Services | | 342,141 | | 333,491 |
| Extracurricular Activities | 335,895 | | 308,451 | |
| Capital Outlay | 8,247,092 | | 1,397,188 | |
| Debt Service | | | | |
| Principal | 206,808 | | 1,206,808 | |
| Interest and Fiscal Charges | 212,029 | | 216,311 | |
| Total Disbursements | <u>15,105,787</u> | <u>342,141</u> | <u>9,439,633</u> | <u>333,491</u> |
| Increase (Decrease) in Net Assets | (578,287) | 5,087 | 3,601,802 | 5,430 |
| Net Assets, July 1 | 11,785,645 | 76,963 | 8,183,843 | 71,533 |
| Net Assets, June 30 | <u>\$11,207,358</u> | <u>\$82,050</u> | <u>\$11,785,645</u> | <u>\$76,963</u> |

Net assets of the District's governmental activities decreased \$578,287. Total governmental expenses of \$15,105,787 were offset by program revenues of \$8,573,706 and general revenues of \$5,953,794. Program revenues supported 56.76 percent of the total governmental expenses.

The primary sources of revenue for the governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 43.24 percent of total governmental revenue. Real estate property is reappraised every six years.

Net assets of the District's business type activities increased \$5,087. Total business type expenses of \$342,141 were offset by program revenues of \$346,676 and general revenues of \$552.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Governmental and Business Type Activities

The Statement of Activities shows the cost of program services and the charges for services, grants and contributions offsetting those services. The following table shows the total cost of these services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

| | Governmental Activities | | Business Type Activities | | Governmental Activities | | Business Type Activities | |
|---------------------------------------|--------------------------------|---------------------------|---------------------------------|---------------------------|--------------------------------|---------------------------|---------------------------------|---------------------------|
| | Total Cost of Services 2011 | Net Cost of Services 2011 | Total Cost of Services 2011 | Net Cost of Services 2011 | Total Cost of Services 2010 | Net Cost of Services 2010 | Total Cost of Services 2010 | Net Cost of Services 2010 |
| Current: | | | | | | | | |
| Instruction: | | | | | | | | |
| Regular | \$2,965,991 | \$2,595,243 | | | \$3,121,373 | \$2,623,889 | | |
| Special | 783,467 | 222,612 | | | 853,250 | 776,953 | | |
| Vocational | 263,798 | 181,838 | | | 276,752 | 195,215 | | |
| Support Services: | | | | | | | | |
| Pupil | 84,465 | 73,522 | | | 71,835 | 67,262 | | |
| Instructional Staff | 343,232 | 117,548 | | | 273,678 | 236,126 | | |
| Board of Education | 23,935 | 23,935 | | | 24,693 | 24,693 | | |
| Administration | 529,166 | 522,641 | | | 520,130 | 520,130 | | |
| Fiscal | 241,159 | 241,159 | | | 247,843 | 247,843 | | |
| Operation and Maintenance of Plant | 510,052 | 504,005 | | | 485,778 | 348,785 | | |
| Pupil Transportation | 254,272 | 233,089 | | | 328,223 | 210,817 | | |
| Operation of non-instructional serv. | 104,426 | 2,470 | | | 107,320 | 16,809 | | |
| Operation of Food Services | | | \$342,141 | (4,535) | | | \$333,491 | (4,915) |
| Extracurricular Activities | 335,895 | 196,190 | | | 308,451 | 153,687 | | |
| Capital Outlay | 8,247,092 | 1,337,377 | | | 1,397,188 | (4,443,304) | | |
| Debt Service | | | | | | | | |
| Principal Interest and Fiscal Charges | 206,808 | 68,423 | | | 1,206,808 | 1,206,808 | | |
| | 212,029 | 212,029 | | | 216,311 | 216,311 | | |
| Total Disbursements | \$15,105,787 | \$6,532,081 | \$342,141 | (\$4,535) | \$9,439,633 | \$2,402,024 | \$333,491 | (4,915) |

The dependence upon tax receipts and unrestricted state entitlements is apparent, 87.50 percent of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 55.87 percent. The District's taxpayers, as a whole, are by far the primary support for District students.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The District's Funds

The District's funds are accounted for using the cash basis of accounting. Fund balance in the General Fund increased \$619,079 largely due to decrease in instruction costs and increase in intergovernmental receipts. The \$1,230,983 decrease in fund balance in the OSFC/CFAP Fund was due to the building project moving closer to completion.

General Fund Budgeting Highlights

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

During fiscal year 2011, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts and other financing sources, in the amount of \$6,116,663, exceeded the amount of the original budgeted revenue and other financing sources estimate of \$5,368,530 by \$748,133 mainly due to unexpected increases in intergovernmental revenues. Actual revenues and other financing sources for fiscal year 2011 was \$6,448,148. This represents a \$331,485 increase from final budgeted revenues. This increase is mainly due to an increase in foundation receipts.

General Fund final budgeted appropriations (appropriated expenditures plus other financing uses) of \$5,630,179 were \$18,923 more than the original budget amount of \$5,611,256. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$5,892,746, which was \$262,567 more than the final budget appropriations. The higher actual expenditures were mainly due to an adjustment increasing expenditures for foundation money deductions.

Debt

At June 30, 2011, the District had outstanding debt of \$82,808 for an interest free United States EPA Asbestos Abatement Loan; \$3,830,000 in facility construction bonds issued for the District portion of the new school building project; \$1,039,000 in two lease/purchase agreements, a fixed rate agreement for \$816,000 and a variable rate agreement for \$223,000. These lease/purchases were used to renovate the 1963 section of the current school building, and as of now the District is only paying interest on these agreements.

The asbestos loan is paid from the Permanent Improvement Fund, and the construction bonds lease/purchases are paid from the Debt Service Fund.

At June 30, 2011, the District's overall legal debt margin was \$1,290,459, with an un-voted debt margin of \$66,760.

For further information regarding the District's debt and contractual commitments, see Notes 13 and 15 to the basic financial statements.

Current Issues

The challenge for all districts is to provide quality educational services to the public while staying within the restrictions imposed by limited funding, and in some cases shrinking funding. The District relies heavily on unrestricted state entitlements and local taxes. The District's five year forecast predicts no deficits in the near future.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

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 Mr. David Miller, Treasurer, Leipsic Local School District, 232 Oak Street, Leipsic Ohio 45856.

**Leipsic Local School District
Putnam County**

**Statement of Net Assets - Cash Basis
For the Fiscal Year Ended June 30, 2011**

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------|------------------------------------|-------------------------------------|----------------------------|
| Assets | <u>\$11,207,358</u> | <u>\$82,050</u> | <u>\$11,289,408</u> |
| Restricted for: | | | |
| Capital Projects | 8,110,937 | | 8,110,937 |
| Debt Service | 233,861 | | 233,861 |
| Other Purposes | 423,571 | 82,050 | 505,621 |
| Set Asides | 488,521 | | 488,521 |
| Unrestricted | <u>1,950,468</u> | | <u>1,950,468</u> |
| Total Net Assets | <u>\$11,207,358</u> | <u>\$82,050</u> | <u>\$11,289,408</u> |

See accompanying notes to the basic financial statements

**Leipsic Local School District
Putnam County**

**Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2011**

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Assets | | | |
|--|-----------------------|--------------------------------------|--|---|----------------------------|-----------------------------|--------------------|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grant and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| Current: | | | | | | | |
| Instruction: | | | | | | | |
| Regular | \$2,965,991 | \$219,024 | \$151,724 | | (\$2,595,243) | | (\$2,595,243) |
| Special | 783,467 | | 560,855 | | (222,612) | | (222,612) |
| Vocational | 263,798 | | 81,960 | | (181,838) | | (181,838) |
| Support Services: | | | | | | | |
| Pupil | 84,465 | | 10,943 | | (73,522) | | (73,522) |
| Instructional Staff | 343,232 | | 225,684 | | (117,548) | | (117,548) |
| Board of Education | 23,935 | | | | (23,935) | | (23,935) |
| Administration | 529,166 | | 6,525 | | (522,641) | | (522,641) |
| Fiscal | 241,159 | | | | (241,159) | | (241,159) |
| Operation and Maintenance of Plant | 510,052 | | 6,047 | | (504,005) | | (504,005) |
| Pupil Transportation | 254,272 | 3,340 | 17,843 | | (233,089) | | (233,089) |
| Operation of Non-Instructional Service | 104,426 | | 101,956 | | (2,470) | | (2,470) |
| Extracurricular Activities | 335,895 | 139,565 | 140 | | (196,190) | | (196,190) |
| Capital Outlay | 8,247,092 | | | \$6,909,715 | (1,337,377) | | (1,337,377) |
| Debt Repayment: | | | | | | | |
| Principal | 206,808 | | 138,385 | | (68,423) | | (68,423) |
| Interest and Fiscal Charges | 212,029 | | | | (212,029) | | (212,029) |
| Total Governmental Activities | <u>15,105,787</u> | <u>361,929</u> | <u>1,302,062</u> | <u>6,909,715</u> | <u>(6,532,081)</u> | | <u>(6,532,081)</u> |
| Business-Type Activity | | | | | | | |
| Food Service | 342,141 | 168,749 | 177,927 | | | \$4,535 | 4,535 |
| Total | <u>\$15,447,928</u> | <u>\$530,678</u> | <u>\$1,479,989</u> | <u>\$6,909,715</u> | <u>(6,532,081)</u> | <u>4,535</u> | <u>(6,527,546)</u> |

General Receipts

Property Taxes Levied for:

| | | |
|------------------|-----------|-----------|
| General Purposes | 1,459,750 | 1,459,750 |
| Debt Service | 187,421 | 187,421 |

Income Taxes Levied for:

| | | |
|---|-----------|-----------|
| General Purposes | 305,867 | 305,867 |
| Capital Projects | 152,933 | 152,933 |
| Grants and Entitlements not Restricted to Specific Programs | 3,685,886 | 3,685,886 |
| Payments in Lieu of Taxes | 18,547 | 18,547 |
| Proceeds from Sale of Capital Assets | 50,502 | 50,502 |
| Interest | 7,845 | 7,845 |
| Donations | 60,000 | 60,000 |
| Miscellaneous | 25,043 | 25,595 |

Total General Receipts 5,953,794 552 5,954,346

Change in Net Assets (578,287) 5,087 (573,200)

Net Assets Beginning of Year - Restated (Note 3) 11,785,645 76,963 11,862,608

Net Assets End of Year \$11,207,358 \$82,050 \$11,289,408

See accompanying notes to the basic financial statements

**Leipsic Local School District
Putnam County**

**Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2011**

| | <u>General</u> | <u>OSFC CFAP Facility Construction</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--------------------|--|---|---|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$2,576,959</u> | <u>\$7,242,785</u> | <u>\$1,387,614</u> | <u>\$11,207,358</u> |
| Fund Balances | | | | |
| Non-Spendable | 4,411 | | | 4,411 |
| Restricted | 17,563 | 7,242,785 | 571,039 | 7,831,387 |
| Committed | 596,214 | | 670,575 | 1,266,789 |
| Assigned | 8,303 | | 146,000 | 154,303 |
| Unassigned | <u>1,950,468</u> | | | <u>1,950,468</u> |
| Total Fund Balances | <u>\$2,576,959</u> | <u>\$7,242,785</u> | <u>\$1,387,614</u> | <u>\$11,207,358</u> |

See accompanying notes to the basic financial statements

**Leipsic Local School District
Putnam County**

**Statement of Receipts, Disbursements and Changes in
Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2011**

| | General | OSFC CFAP Facility Construction | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|---------------------------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Property Taxes | \$1,459,750 | | \$187,421 | \$1,647,171 |
| Income Taxes | 305,867 | | 152,933 | 458,800 |
| Payment in Lieu of Taxes | | | 18,547 | 18,547 |
| Intergovernmental | 3,911,237 | \$6,861,630 | 1,078,579 | 11,851,446 |
| Interest | 7,014 | 28,136 | 1,364 | 36,514 |
| Tuition and Fees | 219,024 | | | 219,024 |
| Extracurricular Activities | 22,688 | | 140,656 | 163,344 |
| Donations | | | 55,000 | 55,000 |
| Miscellaneous | 22,992 | | 4,160 | 27,152 |
| Total Receipts | 5,948,572 | 6,889,766 | 1,638,660 | 14,476,998 |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,793,336 | | 172,655 | 2,965,991 |
| Special | 707,159 | | 76,308 | 783,467 |
| Vocational | 263,308 | | 490 | 263,798 |
| Support Services: | | | | |
| Pupil | 61,863 | | 22,602 | 84,465 |
| Instructional Staff | 151,923 | | 191,309 | 343,232 |
| Board of Education | 23,935 | | | 23,935 |
| Administration | 515,456 | | 13,710 | 529,166 |
| Fiscal | 233,743 | | 7,416 | 241,159 |
| Operation and Maintenance of Plant | 340,259 | | 169,793 | 510,052 |
| Pupil Transportation | 217,403 | | 36,869 | 254,272 |
| Operation of Non-Instructional Services | | | 104,426 | 104,426 |
| Extracurricular Activities | 183,958 | | 151,937 | 335,895 |
| Capital Outlay | | 8,120,749 | 126,343 | 8,247,092 |
| Debt Service: | | | | |
| Principal Retirement | | | 206,808 | 206,808 |
| Interest and Fiscal Charges | | | 212,029 | 212,029 |
| Total Disbursements | 5,492,343 | 8,120,749 | 1,492,695 | 15,105,787 |
| Excess of Revenues Over (Under) Expenditures | 456,229 | (1,230,983) | 145,965 | (628,789) |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 3,211 | | 47,291 | 50,502 |
| Advance In | 496,365 | | 336,710 | 833,075 |
| Advance Out | (336,726) | | (496,349) | (833,075) |
| Transfers In | | | 159,274 | 159,274 |
| Transfers Out | | | (159,274) | (159,274) |
| Total Other Financing Sources (Uses) | 162,850 | | (112,348) | 50,502 |
| Net Change in Fund Balances | 619,079 | (1,230,983) | 33,617 | (578,287) |
| Fund Balances Beginning of Year - Restated (Note 3) | 1,957,880 | 8,473,768 | 1,353,997 | 11,785,645 |
| Fund Balances End of Year | <u>\$2,576,959</u> | <u>\$7,242,785</u> | <u>\$1,387,614</u> | <u>\$11,207,358</u> |

See accompanying notes to the basic financial statements 14

**Leipsic Local School District
Putnam County**

**Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual Comparison -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2011**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property Taxes | \$1,464,958 | \$1,459,750 | \$1,459,750 | |
| Income Taxes | 289,959 | 305,867 | 305,867 | |
| Intergovernmental | 3,077,779 | 3,774,570 | 3,911,237 | \$136,667 |
| Interest | 12,000 | 6,633 | 7,014 | 381 |
| Tuition and Fees | 31,500 | 24,627 | 219,024 | 194,397 |
| Extracurricular Activity | 3,000 | 17,688 | 22,688 | 5,000 |
| Miscellaneous | 30,800 | 27,952 | 22,992 | (4,960) |
| Total receipts | 4,909,996 | 5,617,087 | 5,948,572 | 331,485 |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,927,055 | 2,856,932 | 2,806,234 | 50,698 |
| Special | 543,725 | 545,777 | 707,159 | (161,382) |
| Vocational | 187,119 | 191,494 | 265,758 | (74,264) |
| Support Services: | | | | |
| Pupil | 59,505 | 60,223 | 61,863 | (1,640) |
| Instructional Staff | 106,494 | 106,494 | 156,398 | (49,904) |
| Board of Education | 25,640 | 25,640 | 26,711 | (1,071) |
| Administration | 514,926 | 514,926 | 550,873 | (35,947) |
| Fiscal | 232,362 | 257,374 | 234,281 | 23,093 |
| Operation and Maintenance of Plant | 413,317 | 393,317 | 345,382 | 47,935 |
| Pupil Transportation | 212,160 | 212,160 | 217,403 | (5,243) |
| Extracurricular Activities | 143,566 | 141,566 | 183,958 | (42,392) |
| Total Disbursements | 5,365,869 | 5,305,903 | 5,556,020 | (250,117) |
| Excess of Receipts Over/(Under) Disbursements | (455,873) | 311,184 | 392,552 | 81,368 |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | | 3,211 | 3,211 | |
| Advances In | 458,534 | 496,365 | 496,365 | |
| Advances Out | (245,387) | (324,276) | (336,726) | (12,450) |
| Total Other Financing Sources (Uses) | 213,147 | 175,300 | 162,850 | (12,450) |
| Net Change in Fund Balance | (242,726) | 486,484 | 555,402 | 68,918 |
| Fund Balance Beginning of Year | 1,936,045 | 1,936,045 | 1,936,045 | |
| Prior Year Encumbrances Appropriated | 21,835 | 21,835 | 21,835 | |
| Fund Balance End of Year | \$1,715,154 | \$2,444,364 | 2,513,282 | \$68,918 |

See accompanying notes to the basic financial statements

**Leipsic Local School District
Putnam County**

**Statement of Fund Net Assets - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2011**

| | <u>Food Service Fund</u> |
|--|------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$82,050</u></u> |
| Net Assets | |
| Unassigned | <u><u>\$82,050</u></u> |

See accompanying notes to the basic financial statements

**Leipsic Local School District
Putnam County**

**Statement of Receipts, Disbursements and Changes in
Fund Net Assets - Cash Basis - Proprietary Fund
For the Fiscal Year Ended June 30, 2011**

| | Food Service Fund |
|--|----------------------|
| Operating Receipts | |
| Charges for Services | \$168,749 |
| Operating Disbursements | |
| Personal Services | 183,303 |
| Materials and Supplies | 158,838 |
| Total Operating Disbursements | 342,141 |
| Operating Loss | (173,392) |
| Non-Operating Receipts/(Disbursements): | |
| Interest | 61 |
| Intergovernmental Revenue | 177,866 |
| Other Non-Operating Revenue | 552 |
| Total Non-Operating Receipts/(Disbursements) | 178,479 |
| Changes in Net Assets | 5,087 |
| Net Assets - Beginning of Year | 76,963 |
| Net Assets - End of Year | \$82,050 |

See accompanying notes to the basic financial statements

**Leipsic Local School District
Putnam County**

**Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Fiscal year Ended June 30, 2011**

| | Private Purpose Trust | Agency |
|--|--------------------------|----------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$159,481 | \$24,519 |
| Liabilities: | | |
| Due to Students | | \$24,519 |
| Net Assets | | |
| Restricted: | | |
| Held in Trust for Scholarships | 159,481 | |
| Total Net Assets | \$159,481 | |

See accompanying notes to the basic financial statements

**Leipsic Local School District
Putnam County**

**Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011**

| | <u>Private Purpose Trust</u> |
|------------------------------|----------------------------------|
| Additions | |
| Interest | \$2,728 |
| Deductions | |
| Scholarship Payments | <u>6,000</u> |
| Change in Net Assets | (3,272) |
| Net Assets Beginning of Year | <u>162,753</u> |
| Net Assets End of Year | <u><u>\$159,481</u></u> |

See accompanying notes to the basic financial statements

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Note 1 - Description of the School District and Reporting Entity

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

The District was established prior to 1912. The District serves an area approximately 54 square miles. It is located in Putnam County and includes the Villages of Bellmore, Leipsic, and West Leipsic also portions of Blanchard, Ottawa, Liberty, Palmer and Van Buren Townships. The District is the 560th largest in the State of Ohio (among 612 school districts) in terms of enrollment. The District is staffed by 29 classified employees, 47 certified teaching personnel, and four administrative employees who provide services to 639 students and other community members. The District currently operates one elementary, middle and high school.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Leipsic Local School District, this includes general operations, food service, community services, and student-related activities.

Component units are legally separate organizations for which the District can "impose its will," such as by appointing a voting majority of the component unit's governing body. Component units may also include organizations fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has no component units.

Under the cash basis of accounting, the District does not report assets for equity interests in joint ventures. The District has no joint ventures.

The District's reporting entity includes the following:

Saint Mary's Catholic School – Within the District's boundaries, Saint Mary's Catholic School is operated as a private school. Current State legislation provides funding to the parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The activity is reflected in a special revenue fund of the District.

The District participates in two jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 10 and 17 to the basic financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:
Northwest Ohio Area Computer Services Cooperative
Millstream Career and Technology Center

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 1 - Description of the School District and Reporting Entity (continued)

Public Entity Risk Pool:

Putnam County School Insurance Group
Ohio School Boards Association Workers' Compensation Group Rating Plan
Schools of Ohio Risk Sharing Authority

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its Governmental or business-type activities and to its enterprise funds. 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 financial 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. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is a fiscal and accounting entity with a self balancing set of accounts. The District classifies each fund as either governmental, proprietary or fiduciary.

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the District's major governmental funds:

General Fund The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Ohio School Facility Commission Classroom Facility Assistance Program Facility Construction Fund This capital projects fund accounts for financial resources and activity, both local and State, used for the construction of the District's new school building.

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

Proprietary Funds: The District's Food Service Fund accounts for food service operations and operates similar to a business enterprise, where user charges (i.e. charges for services) provide significant resources for the activity. The District classifies this fund as an Enterprise fund.

Fiduciary Funds: 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 not available to support the District's own programs. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Cash, Cash Equivalents and Investments

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2011, the School District invested in STAR Ohio, certificates of deposit, money market deposit accounts and savings accounts.

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, 2011.

District allocates interest earning according to state statute. Interest revenue credited to the General Fund during fiscal year 2011 was \$7,014, which includes \$1,849 assigned from other District funds.

E. Inventory and Prepaid Items

On the cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

G. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

H. Long-term Obligations

These cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

I. Net 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. Net assets restricted for other purposes include resources restricted for capital projects, debt service, and state and federal grants. The District's policy is to first apply restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net assets are available.

J. Fund Balance

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

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

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

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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

K. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when made or repaid. Note 8 to the basic financial statements lists unpaid advances receivable and payable.

L. 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 within the Board of Education's control that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during fiscal 2011.

M. Budgetary Process

Ohio law requires the Board of Education to budget and appropriate all funds, other than agency funds. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The certificate of estimated resources establishes a limit on the amounts the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Education uses the fund-object as its legal level of control for the general fund and permanent improvement fund, and the fund as its legal level of control for all other funds.

The certificate of estimated resources may be amended during the year if the District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 3 - Change in Accounting Principles and Restatement of Fund Balance

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

B. Restatement of Fund Balance

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the District as they were previously reported.

| | General Fund | Permanent Improvement Fund | Other Governmental Funds |
|--|-------------------------|---|---|
| Fund Balance, June 30, 2010 | \$1,932,593 | \$467,108 | \$912,176 |
| Reclassify Education Foundation Fund | 22,929 | | (22,929) |
| Reclassify Principal Funds | 2,358 | | (2,358) |
| Reclassify Permanent Improvement Fund From Major Fund to Other Governmental | | (467,108) | 467,108 |
| Restated Fund Balance, June 30, 2010 | <u>\$1,957,880</u> | | <u>\$1,353,997</u> |

Note 4 – Budgetary Basis of Accounting and Compliance

Budgetary

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$63,677 in the General Fund.

Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 5 – Deposits and Investments (continued)

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

Cash on Hand – At June 30, 2011 the District had \$150 cash on hand.

Deposits with Financial Institutions

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

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$8,268,193 the District's bank balance of \$12,031,747 was exposed to custodial risk as discussed below, while \$3,763,554 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. Some deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The remainder of the deposits are secured by collateral specifically pledged to the District by the financial institution.

Investments

As of June 30, 2011, the District's only investment was \$240,998 in STAR Ohio.

Credit Risk – STAR Ohio carries a rating of AAA by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 6 – 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 property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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.

The Putnam County Treasurer collects property taxes on behalf of the District. The Putnam County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

The full tax rate at the fiscal year ended June 30, 2011 was \$36.70 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2011 taxes were collected were as follows:

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 6 – Property Taxes (continued)

| | 2010 Second- Half Collections | | 2011 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential | \$47,670,090 | 73.26% | \$47,861,850 | 72.79% |
| Industrial/Commercial | 12,485,790 | 19.19% | 12,786,380 | 19.44% |
| Public Utility | 4,781,970 | 7.35% | 4,904,740 | 7.46% |
| Tangible Personal Property | 127,980 | 0.20% | 207,080 | 0.31% |
| Total Assessed Value | <u>\$65,065,830</u> | <u>100.00%</u> | <u>\$65,760,050</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$36.95 | | \$36.70 | |

The amount available as an advance at June 30, 2011 was \$142,332 in the general fund, \$18,546 in the bond retirement fund.

Note 7 – School District Income Tax

The District levies a voted tax of .50 percent for general operations and .25 percent for permanent improvements on the income of residents and of estates. The .50 percent tax was effective January 1, 1992, with the .25 percent effective January 1, 1997, both are a continuing tax. 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 amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and permanent improvement fund and totaled \$305,867 and \$152,933, respectively, for fiscal year 2011.

Note 8 – Interfund Balances

At June 30, 2011 the District had the following inter-fund advances outstanding from the general fund:

| Fund | Outstanding Advance |
|-----------------------|------------------------|
| Facility Construction | \$ 146,000 |
| Race to the Top | 3,223 |
| ARRA – IDEA | 50,286 |
| Total | <u>\$ 199,509</u> |

Note 9 – Fund Balance

Fund Balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 9 – Fund Balance (continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| Fund Balances | General | OSFC CFAP Facility Construction | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------|---------------------|---------------------------------------|--------------------------------|--------------------------------|
| Nonspendable | | | | |
| Unclaimed Monies | \$4,411 | | | \$4,411 |
| Restricted for | | | | |
| Budget Reserve-Workers Comp | 17,563 | | | \$ 17,563 |
| Athletics | | | \$ 34,785 | 34,785 |
| Non-Public Schools | | | 5,874 | 5,874 |
| School Facility Project | | \$ 7,242,785 | | 7,242,785 |
| Trust Agreements | | | 52,248 | 52,248 |
| Special Education | | | 50,286 | 50,286 |
| School Facility Maintenance | | | 122,439 | 122,439 |
| Instructional | | | 27,590 | 27,590 |
| Debt Service Payments | | | 233,862 | 233,862 |
| Capital Improvements | | | 43,955 | 43,955 |
| <i>Total Restricted</i> | <u>17,563</u> | <u>7,242,785</u> | <u>571,039</u> | <u>7,831,387</u> |
| Committed to | | | | |
| Textbooks and Instructional Materials | 85,249 | | | 85,249 |
| Capital Acquisition and Maintenance | 103,272 | | 125,262 | 228,534 |
| Future Severance Payments | 101,820 | | | 101,820 |
| Special Trust Agreement | 23,436 | | 114,817 | 138,253 |
| Budget Reserve | 282,437 | | | 282,437 |
| Permanent Improvement | | | 430,496 | 430,496 |
| Total Committed | <u>596,214</u> | | <u>670,575</u> | <u>1,266,789</u> |
| Assigned to | | | | |
| Other Purposes | 8,303 | | 146,000 | 154,303 |
| Unassigned | | | | |
| | <u>1,950,468</u> | | | <u>1,950,468</u> |
| Total Fund Balances | <u>\$ 2,576,959</u> | <u>\$ 7,242,785</u> | <u>\$ 1,387,614</u> | <u>\$ 11,207,358</u> |

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 10 – Risk Management

A. Schools of Ohio Risk Sharing Authority

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 91 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District's policy. SORSA covers the following risks:

- General Liability
- Automobile Liability
- Educators' Legal Liability
- Automobile Physical Damage
- Property
- Crime

The District contributes to the funding, operating and maintaining of the SORSA joint self insurance pool. The district's contributions cover deductible losses, loss fund contributions, insurance costs, and administration costs.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.
OSBA Building
8050 North High Street
Columbus, Ohio 43235-6483

B. Putnam County Schools Insurance Group

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Huntington Bank. The District converted its fully-insured medical insurance program to partial self insurance through participation in this public entity risk pool. Medical Mutual of Ohio provides claim review and processing. The District maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

C. Ohio School Boards Association Workers' Compensation Group Rating Plan

For fiscal year 2011 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 11 – Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirement 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$92,375, \$98,352, and \$98,085, respectively; 45 percent has been contributed fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 system. 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 can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 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 Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on 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 DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 11 – Defined Benefit Pension Plans (continued)

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contribution to STRS Ohio for fiscal years ended June 30, 2011, 2010, and 2009 were \$367,652, \$384,432, \$376,248, respectively. For fiscal year 2011, 84 percent has been contributed for the DBP and the CP. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DC for fiscal year 2011 was \$226 made by the District and \$161 made by the plan members.

C. Social Security System

Effective July 1, 1991, all officials not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, four Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal 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 105(e). For fiscal year 2011, 1.43 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 fiscal year 2011, this amount was \$35,800. For fiscal year 2011, the District paid \$21,004 in surcharge.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 12 - Postemployment Benefits (continued)

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 contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$11,185, \$13,692, and \$13,733, respectively. For fiscal year 2011, 81 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$5,945, \$5,339, and \$5,255, respectively: 45 percent has been contributed fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System

Plan Description - The District participates in a cost-sharing multiple-employer defined benefit Health Care 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. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$28,281, \$27,458, and \$26,516, respectively; 84 percent has been contributed fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 13 – Debt

The changes in the District’s debt obligations during fiscal year 2011 consist of the following:

| | Principal Outstanding 06/30/2010 | Additions | Reductions | Principal Outstanding 06/30/2011 | Amount Due in One Year |
|---|--|-----------|------------------|--|------------------------------|
| Governmental Activities | | | | | |
| EPA Asbestos Removal Note (0%) | \$149,616 | | \$66,808 | \$82,808 | \$66,808 |
| OASBO Lease/Purchase Agreement (4.40%) | 816,000 | | | 816,000 | |
| OASBO Lease/Purchase Variable Rate(BMA + 57) Facility Construction Bonds (4.41%) | 223,000 | | 140,000 | 223,000 | 145,000 |
| Total | <u>\$5,158,616</u> | | <u>\$206,808</u> | <u>\$4,951,808</u> | <u>\$211,808</u> |

During fiscal year 1994 the District entered into an agreement with the United States Environmental Protection Agency to remove friable asbestos from the school. The loan agreement calls for the loan to be paid back semiannually over 18 years beginning in May 1995.

During fiscal year 2004, the District’s voters approved a 28 year, 4.97 mill bond levy which enabled the District to issue \$4,800,000 in facility construction bonds. These bonds have an average interest rate of 4.41% and will mature in 2027 (23 years). The District’s ability to pay off the bonds is guaranteed through both the collection of the voter approved levy and bond insurance.

During fiscal year 2009 the District acquired \$2,039,000 in debt financing through two lease/purchase agreements, a fixed rate agreement for \$816,000 and a variable rate agreement for \$1,223,000. These lease/purchase agreements are sponsored by the Ohio Association of School Business Officials (OASBO) and run through the Columbus Port Authority; US Bank is the fiscal agent. The proceeds of these lease/purchase agreements were used for the renovation of the 1963 section of the current school building.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2011 are as follows:

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 13 – Debt (continued)

| Fiscal Year | Asbestos Loan | | Facility Construction Bonds | |
|-------------|-----------------|--------------|-----------------------------|--------------------|
| | Principal Due | Interest Due | Principal Due | Interest Due |
| 2012 | \$66,808 | | \$145,000 | \$168,388 |
| 2013 | 16,000 | | 155,000 | 164,033 |
| 2014 | | | 160,000 | 159,108 |
| 2015 | | | 165,000 | 153,745 |
| 2016 | | | 175,000 | 147,919 |
| 2017-2021 | | | 1,015,000 | 636,115 |
| 2022-2026 | | | 1,390,000 | 340,250 |
| 2027-2028 | | | 625,000 | 30,375 |
| Total | <u>\$82,808</u> | | <u>\$3,830,000</u> | <u>\$1,799,933</u> |

| Fiscal Year | OASBO Lease/Pur - Var | | OASBO Lease/Pur - Fix | | Total Debt Obligation |
|-------------|-----------------------|----------------|-----------------------|------------------|-----------------------|
| | Principal Due | Interest Due | Principal Due | Interest Due | |
| 2012 | | \$1,985 | | \$35,904 | \$418,085 |
| 2013 | \$58,000 | 1,985 | \$36,000 | 35,112 | 466,130 |
| 2014 | 60,000 | 1,468 | 38,000 | 33,484 | 452,060 |
| 2015 | 62,000 | 934 | 39,000 | 31,790 | 452,469 |
| 2016 | 43,000 | 383 | 41,000 | 30,030 | 437,332 |
| 2017-2021 | | | 235,000 | 120,670 | 2,006,785 |
| 2022-2026 | | | 292,000 | 63,008 | 2,085,258 |
| 2027-2028 | | | 135,000 | 6,006 | 796,381 |
| Total | <u>\$223,000</u> | <u>\$6,755</u> | <u>\$816,000</u> | <u>\$356,004</u> | <u>\$7,114,500</u> |

Note 14 – Set-Aside Calculations

State statute annually requires the District to set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct 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 for the same uses in future years. In prior years, the District was also required to set aside money for budget stabilization.

In addition to the required reserves the Board of Education authorized the Treasurer to deposit additional amounts in the set aside accounts which resulted in an additional assignment for textbooks, and capital maintenance reserve as of June 30, 2011.

The following table summarizes the change in the year-end set-aside amounts for textbooks, capital maintenance and budget stabilization:

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 14 – Set-Aside Calculations (Continued)

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Budget Reserve</u> |
|--|------------------|--------------------------------|---------------------------|
| Balance June 30, 2010 | \$77,173 | \$91,814 | \$300,000 |
| Current Year Set-aside Requirement | 90,037 | 90,037 | |
| Current Year Off-sets | | (90,037) | |
| Additional Amounts Approved by the Board | 42,656 | 85,000 | |
| Qualifying Expenditures | (124,617) | (73,542) | |
| Set-aside Amount as of June 30, 2011 | <u>\$85,249</u> | <u>\$103,272</u> | <u>\$300,000</u> |

Note 15 – Contractual Commitments

At June 30, 2011 the District had contractual commitments outstanding related to the 1963 building renovations of \$17,544 to J.B. & Company, Inc., \$106,106 to Schroeder Masonry, Inc. In addition, the District had contractual commitments outstanding related to the OSFC CFAP building project of \$98,650 to Beilharz Architects, Inc., \$25,212 to STAN, Inc., \$3,477 to Lawhon and Associates, \$2,950,593 to Mel Lanzer Company, \$34,615 to Vulcan Enterprises, Inc., \$115,578 to Ohio Plumbing & Electric. \$204,405 to Slagle Mechanical, \$423,795 to Woolace Electric Corp., \$71,128 to Jamison Well Drilling, Inc., \$156,432 to Martin Public Seating, Inc., \$307,932 to Continental Office Environment, \$40,736 to Netech, \$103,080 to Total Environmental Services, and \$48,286 to Cardinal Bus Sales & Service.

Note 16 – Contingencies

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2011 will not have a material adverse effect on the District.

B. Litigation

The District is not a party to any legal proceedings.

Note 17 – Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. 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 governing board of NOACSC consists of two representatives from each county. During fiscal year 2011, the District paid \$16,882 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Note 17 – Jointly Governed Organizations (continued)

B. Millstream Career and Technology Center

The Millstream Career and Technology Center (Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Center provides vocational instruction to students. The Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative from the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, 1219 West Main Cross, Suite 101, Findlay, Ohio 45840-3377.

**Leipsic Local School District
Putnam County**

**Federal Awards Receipts and Expenditures Schedule
For the Fiscal Year Ended June 30, 2011**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Federal CFDA Number | Federal Receipts | Federal Disbursements |
|--|---------------------------|---------------------------|--------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| <u>Child Nutrition Cluster</u> | | | |
| School Breakfast Program | 10.553 | \$25,547 | \$25,547 |
| National School Lunch Program: | | | |
| Cash Assistance | 10.555 | 147,967 | 147,967 |
| Non-cash Assistance (Commodities) | 10.555 | 55,597 | 55,597 |
| Total National School Lunch Program | | <u>203,564</u> | <u>203,564</u> |
| Total U.S. Department of Agriculture | | <u>229,111</u> | <u>229,111</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| <u>Title I Cluster</u> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 247,564 | 123,154 |
| ARRA - Title I School Improvement Stimulus | 84.389 | 36,209 | 36,209 |
| Total Title I Cluster | | <u>283,773</u> | <u>159,363</u> |
| ARRA - State Fiscal Stabilization Fund | 84.394 | 269,580 | 284,980 |
| Education Technology State Grants | 84.318 | 1,561 | 449 |
| Improving Teacher Quality State Grants | 84.367 | 65,722 | 35,066 |
| ARRA - Special Education Grants to States | 84.391 | 17,691 | |
| Career and Technical Education - Basis Grants to the State | 84.048 | 4,500 | |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | 2,102 | |
| Educational Jobs Grant | 84.410 | 93,073 | 90,475 |
| Title I-C Migrant | 84.011 | 70,035 | 49,987 |
| ARRA - Race to The Top | 84.395 | 9,991 | 11,034 |
| Total U.S. Department of Education | | <u>818,028</u> | <u>631,354</u> |
| Total Federal Awards Receipts and Expenditures | | <u>\$1,047,139</u> | <u>\$860,465</u> |

The accompanying notes are an integral part of this schedule.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Leipsic Local School District
Putnam County
232 Oak Street
Leipsic, Ohio 45856-1312

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 27, 2012, wherein we noted the District prepared its financial statements on the cash basis. We also noted the District implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 27, 2012.

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

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

Dave Yost
Auditor of State

February 27, 2012



Dave Yost • Auditor of State

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

Leipsic Local School District
Putnam County
232 Oak Street
Leipsic, Ohio 45856-1312

Compliance

We have audited the compliance of Leipsic Local School District, Putnam County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The *summary* of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, Leipsic Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

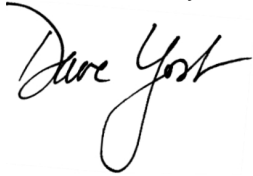
Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Dave Yost
Auditor of State

February 27, 2012

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Nutrition Cluster: CFDA# 10.553 and 10.555 ARRA - State Fiscal Stabilization Fund CFDA #: 84.394 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

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

FINDING NUMBER 2011-001

Noncompliance Finding

Ohio Revised Code, § 117.38, provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year.

**FINDING NUMBER 2011-001
(Continued)**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in a cash format which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. In addition, the District did not file the fiscal year 2011 report. Pursuant to Ohio Revised Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the District prepare its statements in accordance with accounting principles generally accepted in the United States of America, and file the annual report by the required date.

FINDING NUMBER 2010-002

Financial Reporting - Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The financial statement contained the following errors:

- Beginning balances were misstated requiring adjustments ranging from \$15,400 to \$21,835;
- \$535,853 of intrafund general fund transfers were not eliminated;
- \$194,397 of foundation money was incorrectly posted as intergovernmental and a reclassification was made to tuition and fees;
- Foundation monies was posted at net instead of gross resulting in adjustments to revenues and expenditures of \$334,725;
- The GASB 54 financial presentation required seven adjustments ranging in the amounts of \$17,563 to \$816,575;
- Statement of Net Assets, net assets required nine adjustments ranging in the amounts of \$4,411 to \$2,257,400;
- General Fund Budget vs Actual statements required 15 adjustments ranging in the amounts of \$538 to \$694,036;
- The Pension Plan, Restatement, Fund Balance, and the Set-Aside note disclosures had missing or incorrect information and amounts requiring modification;
- Statement of Activities program revenues and the related disbursements required 19 adjustments ranging in the amounts of \$61 to \$419,629.

The accompanying financial statements have been adjusted to correct these errors.

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements by the Treasurer and the Board, to identify and correct errors and omissions.

**FINDING NUMBER 2010-002
(Continued)**

Officials' Response:

We did not receive a response from the Officials to the findings reported above.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2010-001 | Ohio Administrative Code § 117-2-03(B) for not filing GAAP financial statements. | No | Repeated in this report as finding 2011-001. |
| 2010-002 | Ohio Revised Code §5705.41(B) expenditures in excess of appropriations. | Yes | |
| 2010-003 | Recording foundation revenue net of expenses. | No | Repeated in this report as part of finding 2011-002. |
| 2010-004 | Ohio Revised Code §5705.41(D) certification of disbursements. | Yes | |
| 2010-005 | OMB Circular A-133 Section 230 (b)(2) improperly charged cost of audit to a federal fund when not subject to a Single Audit | Yes | |

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Leipsic Local School District
Putnam County
232 Oak Street
Leipsic, Ohio 45856-1312

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

We noted the Board amended its anti-harassment policy at its meeting on December 14, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 27, 2012

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LEIPSIC LOCAL SCHOOL DISTRICT

PUTNAM 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 13, 2012