

***LEIPSIC LOCAL SCHOOL DISTRICT***

**PUTNAM COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended June 30, 2009**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Leipsic Local School District  
232 Oak Street  
Leipsic, Ohio 45856

We have reviewed the *Report of Independent Accountants* of the Leipsic Local School District, Putnam County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 17, 2010

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**LEIPSIC LOCAL SCHOOL DISTRICT**  
**PUTNAM COUNTY, OHIO**  
**Audit Report**  
**For the year ended June 30, 2009**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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### **REPORT OF INDEPENDENT ACCOUNTANTS**

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

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 the Leipsic Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual 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 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, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leipsic Local School District, Putnam County, Ohio, as of June 30, 2009, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2009 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

***Charles E. Harris & Associates, Inc.***

November 30, 2009

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
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, 2009, within the limitations of the District's Other Comprehensive 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 2009 are as follows:

Net assets of governmental activities increased \$2,833,959, or 52.97 percent, from the prior year.

Net assets of business type activities increased \$11,268, or 18.7 percent, from the prior year.

The District's general governmental receipts were \$8,227,393 or 83.67 percent of all revenue, these being primarily property taxes, unrestricted state entitlements and loans. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$1,605,562 or 16.33 percent of total revenues of \$9,832,955.

The District's business type general receipts were \$747 or 0.21 percent of all revenue, these being primarily interest earnings. Program specific revenues in the form of charges for services and operating grants accounted for \$350,865 or 99.79 percent of total revenues of \$351,612.

The District had \$6,998,996 in expenses related to governmental activities: only \$1,605,562 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements and loans) of \$8,227,393 were adequate to provide for these programs.

The District had \$340,344 in expenses related to business type activities, these expenses were offset by program specific charges for services and operating grants of \$350,865. The District also had \$747 in general revenues and a cash balance of \$60,265 which were adequate to provide for these programs.

The District's major governmental funds were the general, permanent improvement, and Ohio School Facility Commission (OSFC) Classroom Facility Assistance Program (CFAP) funds. The major funds had \$6,421,885, \$2,963,170, and \$3,716,783, respectively, in revenues and other financing sources, and \$6,419,165, \$3,188,094, and \$272,517, respectively, in expenditures and other uses. During fiscal year 2009, the major funds' balances, increased or (decreased) by \$2,720, (\$224,924), and \$3,444,265, respectively.

The District's business type food service fund had \$351,612 in revenue and \$340,344 in expenses. During fiscal year 2009 the food service fund balance increased \$11,268 from \$60,265 to \$71,533.



**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

**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 Other Comprehensive 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, Permanent Improvement Fund, Facility Construction 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 another comprehensive basis of accounting. Under the District's other comprehensive 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 other comprehensive 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 other comprehensive 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 2009, within the limitations of the other comprehensive 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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

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.

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 governmental funds are the General Fund, Permanent Improvement Fund, and Facility Construction 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 District's major governmental funds are the General Fund, Permanent Improvement Fund and the OSFC/CFAP Facility Construction Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**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.

**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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2009 compared to fiscal year 2008 on another comprehensive basis of accounting.

Table 1  
**Net Assets**

	Governmental Activities 2009	Governmental Activities 2008	Business Type Activities 2009	Business Type Activities 2008	Total Activities 2009	Total Activities 2008
<b>Assets:</b>						
Cash and Cash Equivalents	\$8,183,843	\$5,349,884	\$71,533	\$60,265	\$8,255,376	\$5,410,149
<b>Net Assets:</b>						
Restricted	6,570,977	3,722,785			6,570,977	3,722,785
Unrestricted	1,612,866	1,627,099	71,533	60,265	1,684,399	1,687,364
<b>Total Net Assets</b>	<b>\$8,183,843</b>	<b>\$5,349,884</b>	<b>\$71,533</b>	<b>\$60,265</b>	<b>\$8,255,376</b>	<b>\$5,410,149</b>

Over time, net assets can serve as a useful indicator of a government's financial position. At year-end, net assets were \$8,183,843 for governmental activities and \$71,533 for business type activities.

A portion of the District's net assets, \$6,570,977, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,612,866 may be used to meet the District's ongoing obligations to the students and creditors. The entire business type net assets total is unrestricted.

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

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

Table 2

	Governmental Activities 2009	Business Type Activities 2009	Governmental Activities 2008	Business Type Activities 2008
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$162,227	\$179,432	\$124,560	\$183,667
Operating Grants and Contributions	1,443,335	171,433	845,528	156,527
Total Program Receipts	<u>1,605,562</u>	<u>350,865</u>	<u>970,088</u>	<u>340,194</u>
General Receipts:				
Property Taxes Levied for General Purposes	1,488,260		1,552,883	
Property Taxes Levied for Debt Service	194,716		204,635	
School District Income Taxes for General Purposes	329,108		334,424	
School District Income Taxes for Capital Projects	164,554		167,212	
Payment in Lieu of Taxes	51,908		231,620	
Grants and Entitlements Not Restricted to Specific Programs	3,794,452		3,590,389	
Proceeds from Sale of Capital Assets			10,675	
Donations	84,300		66,050	
Interest	72,235	747	193,288	2,341
Proceeds of Loans	2,039,000			
Miscellaneous	8,860		19,142	
Total General Receipts	<u>\$8,227,393</u>	<u>\$747</u>	<u>\$6,370,318</u>	<u>\$2,341</u>
Total Receipts	<u>\$9,832,955</u>	<u>\$351,612</u>	<u>\$7,340,406</u>	<u>\$342,535</u>
Disbursements:				
Instruction:				
Regular	2,647,490		\$2,563,021	
Special	850,559		762,481	
Vocational	296,008		325,057	
Support Services:				
Pupil	73,421		97,114	
Instructional Staff	257,889		285,184	
Board of Education	28,376		20,101	
Administration	514,595		482,237	
Fiscal	227,861		248,418	
Operation and Maintenance of Plant	511,450		524,960	
Pupil Transportation	337,308		320,168	
Operation of non-instructional services	110,030		123,562	
Food Services		340,344		\$332,449
Extracurricular Activities	309,708		263,522	
Capital Outlay	379,815		83,305	
Debt Service				
Principal	196,808		196,808	
Interest and Fiscal Charges	257,678		180,932	
Total Disbursements	<u>6,998,996</u>	<u>340,344</u>	<u>6,476,870</u>	<u>332,449</u>
Increase (Decrease) in Net Assets	2,833,959	11,268	863,536	10,086
Net Assets, July 1	<u>5,349,884</u>	<u>60,265</u>	<u>4,486,348</u>	<u>50,179</u>
Net Assets, June 30	<u>\$8,183,843</u>	<u>\$71,533</u>	<u>\$5,349,884</u>	<u>\$60,265</u>

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

Net assets of the District's governmental activities increased \$2,833,959. Total governmental expenses of \$6,998,996 were offset by program revenues of \$1,605,562 and general revenues of \$8,227,393. Program revenues supported 16.33 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 and loans. These revenue sources represent 83.67 percent of total governmental revenue. Real estate property is reappraised every six years.

Net assets of the District's business type activities increased \$11,268. Total business type expenses of \$340,344 were offset by program revenues of \$350,865 and general revenues of \$747.

**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.

Table 3

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Governmental Activities</b>		<b>Business Type Activities</b>	
	Total Cost	Net Cost of	Total Cost	Net Cost of	Total Cost of	Net Cost of	Total Cost of	Net Cost of
	of	Services	of	Services	Services	Services	Services	Services
	2009	2009	2009	2009	2008	2008	2008	2008
Current:								
Instruction:								
Regular	\$2,647,490	\$2,576,604			\$2,563,021	\$2,444,250		
Special	850,559	729,722			762,481	577,494		
Vocational	296,008	214,223			325,057	249,502		
Support Services:								
Pupil	73,421	62,421			97,114	86,114		
Instructional Staff	257,889	175,662			285,184	78,827		
Board of Education	28,376	28,376			20,101	20,101		
Administration	514,595	514,595			482,237	482,237		
Fiscal	227,861	227,861			248,418	248,418		
Operation & Maintenance of Plant	511,450	501,450			524,960	524,960		
Pupil Transportation	337,308	325,736			320,168	314,140		
Operation of non-instructional serv.	110,030	1,979			123,562	(8,283)		
Operation of Food Services			\$340,344	(10,521)			\$332,449	(7,745)
Extracurricular Activities	309,708	156,936			263,522	163,290		
Capital Outlay	379,815	(576,617)			83,305	83,305		
Debt Service								
Principal	196,808	196,808			196,808	61,495		
Interest and Fiscal Charges	257,678	257,678			180,932	180,932		
<b>Total Disbursements</b>	<b>\$6,998,996</b>	<b>\$5,393,434</b>	<b>\$340,344</b>	<b>(\$10,521)</b>	<b>\$6,476,870</b>	<b>\$5,506,782</b>	<b>\$332,449</b>	<b>(\$7,745)</b>

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)

The dependence upon tax receipts and unrestricted state entitlements is apparent, 92.79 percent of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 88.42 percent. The District's taxpayers, as a whole, are by far the primary support for District students.

**The Government's Funds**

The District's funds are accounted for using the cash basis of accounting. Total combined fund balance of \$8,255,376 is more than last year's total of \$5,410,149. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	<u>Table 4</u>		
	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase (Decrease)
General	\$2,081,026	\$2,078,306	\$2,720
Permanent Improvement	2,027,955	2,252,879	(224,924)
OSFC CFAP	3,444,265	-	3,444,265
Other Governmental	630,597	1,018,699	(388,102)
Food Service	71,533	60,265	11,268
Total Fund Balance	<u>\$8,255,376</u>	<u>\$5,410,149</u>	<u>\$2,845,227</u>

**General Fund**

The District's general fund's balance increased by \$2,720.

The table that follows assists in illustrating the financial activities of the general fund.

	<u>Table 5</u>	
	2009	2008
<b>Revenues</b>		
Taxes	\$1,817,368	\$1,887,307
Intergovernmental	3,720,478	3,669,480
Earnings on Investments	71,370	190,314
Tuition and Fees	36,185	24,047
Miscellaneous	34,253	19,142
Total Revenue	<u>\$5,679,654</u>	<u>\$5,790,290</u>
<b>Expenditures</b>		
Instruction	\$3,556,311	\$3,430,604
Support Services	1,736,546	1,743,604
Extracurricular activities	165,135	152,051
Total Expenditures	<u>\$5,457,992</u>	<u>\$5,326,259</u>
<b>Other Sources (Uses)</b>		
Advances In/(Out) – Net	(\$938)	\$204,833
Transfers In/(Out) – Net	(218,004)	(489)
Total Other Sources (Uses)	<u>(\$218,942)</u>	<u>\$204,344</u>

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
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**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 2009, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts, in the amount of \$6,128,758, were the amount of the original budgeted revenue estimate of \$6,128,758. Actual revenues and other financing sources for fiscal year 2009 was \$6,421,885. This represents a \$293,127 increase from final budgeted revenues.

General Fund final budgeted appropriations (appropriated expenditures plus other financing uses) of \$6,782,868 were \$543,755 more than the original budget amount of \$6,239,113. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$6,435,349 which was \$347,519 less than the final budget appropriations.

**Capital Assets and Debt Administration**

Capital Assets

The District's capital assets are not reflected in the cash basis of accounting statements, however the District does track capital assets through the State provided software program.

Debt

At June 30, 2009, the District had \$216,424 outstanding on an interest free United States EPA Asbestos Abatement Loan. Of this total, \$66,808 is due within one year and \$149,616 is due within more than one year. In addition, the District had \$4,110,000 in facility construction bonds outstanding. Of this total, \$140,000 is due within one year and \$3,970,000 is due within more than one year. During fiscal year 2009 the District acquired \$2,039,000 in debt financing through two loans, a fixed rate agreement for \$816,000 and a variable rate agreement for \$1,223,000. These loans 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 loans were used to renovate the 1963 section of the current school building. The following table summarizes the debt outstanding.

	<u>Table 7</u>		
	Balance	Balance	Increase/
	June 30, 2009	June 30, 2008	(Decrease)
EPA Asbestos Loan	\$216,424	\$283,232	(\$66,808)
Facility Construction Bonds	\$4,110,000	\$4,240,000	(130,000)
OASBO Loan - Fixed	816,000	-	-
OASBO Loan - Variable	1,223,000	-	-

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
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Other Contractual Obligations

The District's accrued liabilities are not reported in the cash basis of accounting statements. However, as of June 30, 2009, the District's governmental funds had employment contract obligations remaining of \$405,008 for accrued wages and Medicare. The District had \$1,612,866 in unrestricted net assets to cover this obligation in the governmental funds.

As of June 30, 2009 the District's business-type activities had employment contract obligations remaining of \$14,838 in accrued wages and Medicare. The District had \$71,533 in unrestricted net assets to cover this obligation in the business-type activities.

**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.

**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 Government'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.



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**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Net Assets - Cash Basis  
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$8,183,843	\$71,533	\$8,255,376
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$5,492,169		\$5,492,169
Debt Service	216,746		216,746
Set Asides	468,160		468,160
Other Purposes	393,902		393,902
Unrestricted	1,612,866	\$71,533	1,684,399
<i>Total Net Assets</i>	<u>\$8,183,843</u>	<u>\$71,533</u>	<u>\$8,255,376</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, 2009

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>						
Current:						
Instruction:						
Regular	\$ 2,647,490	\$ 36,186	\$ 34,700	\$ (2,576,604)		\$ (2,576,604)
Special	850,559		120,837	(729,722)		(729,722)
Vocational	296,008		81,785	(214,223)		(214,223)
Support Services:						
Pupil	73,421		11,000	(62,421)		(62,421)
Instructional Staff	257,889		82,227	(175,662)		(175,662)
Board of Education	28,376			(28,376)		(28,376)
Administration	514,595			(514,595)		(514,595)
Fiscal	227,861			(227,861)		(227,861)
Operation and Maintenance of Plant	511,450		10,000	(501,450)		(501,450)
Pupil Transportation	337,308	1,946	9,626	(325,736)		(325,736)
Operation of Non-Instructional Services	110,030		108,051	(1,979)		(1,979)
Extracurricular Activities	309,708	124,095	28,677	(156,936)		(156,936)
Capital Outlay	379,815		956,432	576,617		576,617
Debt Repayment:						
Principal	196,808			(196,808)		(196,808)
Interest and Fiscal Charges	257,678			(257,678)		(257,678)
<i>Total Governmental Activities</i>	<u>6,998,996</u>	<u>162,227</u>	<u>1,443,335</u>	<u>(5,393,434)</u>	<u>-</u>	<u>(5,393,434)</u>
<b>Business-Type Activity</b>						
Food Service	340,344	179,432	171,433		\$ 10,521	10,521
Total	<u>\$ 7,339,340</u>	<u>\$ 341,659</u>	<u>\$ 1,614,768</u>	<u>\$ (5,393,434)</u>	<u>\$ 10,521</u>	<u>\$ (5,382,913)</u>
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes				1,488,260		1,488,260
Debt Service				194,716		194,716
Income Taxes Levied for:						
General Purposes				329,108		329,108
Capital Projects				164,554		164,554
Grants and Entitlements not Restricted to Specific Programs				3,794,452		3,794,452
Payments in Lieu of Taxes				51,908		51,908
Interest				72,235	747	72,982
Donations				84,300		84,300
Proceeds of Loans				2,039,000		2,039,000
Miscellaneous				8,860		8,860
<i>Total General Receipts</i>				<u>8,227,393</u>	<u>747</u>	<u>8,228,140</u>
Change in Net Assets				2,833,959	11,268	2,845,227
<i>Net Assets Beginning of Year</i>				<u>5,349,884</u>	<u>60,265</u>	<u>5,410,149</u>
<i>Net Assets End of Year</i>				<u>\$ 8,183,843</u>	<u>\$ 71,533</u>	<u>\$ 8,255,376</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2009

	General	Permanent Improvement	OSFC CFAP Facility Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,063,463	\$2,027,955	\$3,444,265	\$630,597	\$8,166,280
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	17,563				17,563
<b>Total Assets</b>	<u>\$2,081,026</u>	<u>\$2,027,955</u>	<u>\$3,444,265</u>	<u>\$630,597</u>	<u>\$8,183,843</u>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	\$16,184	\$498,200	\$834,095	\$15,608	\$1,364,087
Unclaimed Monies	4,328				4,328
Budget Stabilization	17,563				17,563
Unreserved:					
Designated:					
Textbooks and Supplies	105,085				105,085
Capital Maintenance	76,075				76,075
Budget Stabilization	269,437				269,437
Undesignated, Reported in					
General Fund	1,592,354				1,592,354
Special Revenue Funds				398,243	398,243
Debt Service Fund				216,746	216,746
Capital Projects Funds		1,529,755	2,610,170		4,139,925
<b>Total Fund Balances</b>	<u>\$2,081,026</u>	<u>\$2,027,955</u>	<u>\$3,444,265</u>	<u>\$630,597</u>	<u>\$8,183,843</u>

*See accompanying notes to the basic financial statements*

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Cash Receipts, Disbursements and Changes in  
Fund Balances - Cash Basis - Governmental Funds  
For the Fiscal Year Ended June 30, 2009

	General	Permanent Improvement	OSFC CFAP Facility Construction	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property Taxes	\$ 1,488,260			\$ 194,716	\$ 1,682,976
Income Taxes	329,108	\$ 164,554			493,662
Payment in Lieu of Taxes		26,908		25,000	51,908
Intergovernmental	3,720,478		\$ 913,362	517,509	5,151,349
Interest	71,370	7,607	15,322	3,754	98,053
Tuition and Fees	36,185				36,185
Extracurricular Activities				156,202	156,202
Donations				84,300	84,300
Miscellaneous	34,253			4,067	38,320
<i>Total Receipts</i>	<u>5,679,654</u>	<u>199,069</u>	<u>928,684</u>	<u>985,548</u>	<u>7,792,955</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	2,543,043			104,447	2,647,490
Special	722,800			127,759	850,559
Vocational	290,468			5,540	296,008
Support Services:					
Pupil	60,415			13,006	73,421
Instructional Staff	135,546			122,343	257,889
Board of Education	28,376				28,376
Administrator	514,595				514,595
Fiscal	219,056	2,664		6,141	227,861
Operation and Maintenance of Plan	511,450				511,450
Pupil Transportation	267,108			70,200	337,308
Operation of Non-Instructional Service				110,030	110,030
Extracurricular Activities	165,135			144,573	309,708
Capital Outlay		107,297	272,518		379,815
Debt Service:					
Principal Retirement		66,808		130,000	196,808
Interest and Fiscal Charge:		79,239		178,439	257,678
<i>Total Disbursements</i>	<u>5,457,992</u>	<u>256,008</u>	<u>272,518</u>	<u>1,012,478</u>	<u>6,998,996</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>221,662</u>	<u>(56,939)</u>	<u>656,166</u>	<u>(26,930)</u>	<u>793,959</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds of loan		2,039,000			2,039,000
Other Financing Sources:		1,000			1,000
Advance In	742,231	513,511		229,657	1,485,399
Advance Out	(743,169)	(513,511)		(228,719)	(1,485,399)
Transfers In		210,590	2,788,099	7,414	3,006,103
Transfers Out	(218,004)	(2,418,575)		(369,524)	(3,006,103)
<i>Total Other Financing Sources (Uses)</i>	<u>(218,942)</u>	<u>(167,985)</u>	<u>2,788,099</u>	<u>(361,172)</u>	<u>2,040,000</u>
<i>Net Change in Fund Balances</i>	2,720	(224,924)	3,444,265	(388,102)	2,833,959
<i>Fund Balances Beginning of Year</i>	2,078,306	2,252,879	-	1,018,699	5,349,884
<i>Fund Balances End of Year</i>	<u>\$ 2,081,026</u>	<u>\$ 2,027,955</u>	<u>\$ 3,444,265</u>	<u>\$ 630,597</u>	<u>\$ 8,183,843</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance  
Budget and Actual Comparison -Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$ 1,453,871	\$ 1,453,871	\$ 1,488,260	\$ 34,389
Income Taxes	324,391	324,391	329,108	4,717
Intergovernmental	3,712,744	3,712,744	3,720,478	7,734
Interest	96,000	96,000	71,370	(24,630)
Tuition and Fees	51,500	51,500	36,185	(15,315)
Miscellaneous	19,550	19,550	34,253	14,703
<i>Total receipts</i>	5,658,056	5,658,056	5,679,654	21,598
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	2,847,383	2,873,978	2,551,425	322,553
Special	594,085	595,590	722,800	(127,210)
Vocational	188,344	195,343	292,558	(97,215)
Support Services:				
Pupil	43,941	44,441	60,525	(16,084)
Instructional Staff	38,599	38,599	135,546	(96,947)
Board of Education	12,225	12,225	28,376	(16,151)
Administration	801,897	801,897	514,595	287,302
Fiscal	287,689	287,689	219,456	68,233
Operation and Maintenance of Plant	429,632	437,788	517,052	(79,264)
Pupil Transportation	205,313	205,313	267,108	(61,795)
Extracurricular Activities	105,813	105,813	164,735	(58,922)
<i>Total Disbursements</i>	5,554,921	5,598,676	5,474,176	124,500
<i>Excess of Receipts Over/(Under) Disbursements</i>	103,135	59,380	205,478	146,098
<b>Other Financing Sources (Uses)</b>				
Advances In	242,400	242,400	742,231	499,831
Advances Out	(242,400)	(742,400)	(743,169)	(769)
Transfers In	228,302	228,302	-	(228,302)
Transfers Out	(441,792)	(441,792)	(218,004)	223,788
<i>Total Other Financing Sources (Uses)</i>	(213,490)	(713,490)	(218,942)	494,548
<i>Net Change in Fund Balance</i>	(110,355)	(654,110)	(13,464)	640,646
<i>Fund Balance Beginning of Year</i>	2,021,342	2,021,342	2,021,342	-
Prior Year Encumbrances Appropriated	56,964	56,964	56,964	-
<i>Fund Balance End of Year</i>	\$ 1,967,951	\$ 1,424,196	\$ 2,064,842	\$ 640,646

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Fund Net Assets - Cash Basis  
Proprietary Funds  
June 30, 2009

	<u>Food Service Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 71,533</u>
<b>Net Assets</b>	
Unrestricted	<u>71,533</u>
<i>Total Net Assets</i>	<u>\$ 71,533</u>

*See accompanying notes to the basic financial statements*

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Cash Receipts, Disbursements and Changes in  
Fund Net Assets - Cash Basis - Proprietary Funds  
For the Fiscal Year Ended June 30, 2009

	Food Service Fund
<b>Operating Receipts</b>	
Charges for Services	\$ 179,432
<b>Operating Disbursements</b>	
Personal Services	180,837
Materials and Supplies	159,507
<i>Total Operating Disbursements</i>	340,344
<i>Operating Loss</i>	(160,912)
<b>Non-Operating Receipts/(Disbursements):</b>	
Interest	747
Intergovernmental Revenue	171,433
<i>Total Non-Operating Receipts/(Disbursements)</i>	172,180
<i>Changes in Net Assets</i>	11,268
Net Assets - Beginning of Year	60,265
<i>Net Assets - End of Year</i>	\$ 71,533

*See accompanying notes to the basic financial statements*



**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
June 30, 2009

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 162,895	\$ 17,942
<b>Net Assets</b>		
Held for Student Activities	-	17,942
Held in Trust for Scholarships	162,895	-
Total Net Assets	\$ 162,895	\$ 17,942

*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, 2009

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$ 26,767
<b>Deductions</b>	
Scholarship Payments	<u>8,500</u>
<i>Change in Net Assets</i>	18,267
<i>Net Assets Beginning of Year</i>	<u>144,628</u>
<i>Net Assets End of Year</i>	<u><u>\$ 162,895</u></u>

*See accompanying notes to the basic financial statements*

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**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 555<sup>th</sup> largest in the State of Ohio (among 614 school districts) in terms of enrollment. The District is staffed by 26 classified employees, 51 certified teaching personnel, and 4 administrative employees who provide services to 661 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 2 jointly governed organizations and 3 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 8 and 15 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative  
Millstream Career Cooperative

Public Entity Risk Pool:

Putnam County School Insurance Group  
OSBA Workers Compensation Group Rating Program  
Schools of Ohio Risk Sharing Authority

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**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.

**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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

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

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. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. 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.

**Permanent Improvement Fund** This capital project fund accounts for financial resources used for the acquisition or construction of District facilities (not accounted for separately in another capital project fund).

**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 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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

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

***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.

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 2009, 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, 2009.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited during fiscal year 2009 was as follows: General Fund \$71,370, Permanent Improvement Fund \$7,607, OSFC CFAP Facility Construction Fund \$15,322, Special Revenue Funds \$3,754, Trust Funds \$26,767 and Food Service Fund \$747.

***E. Restricted Assets***

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for budget stabilization.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

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

On June 30, 2009, the District had established a budget stabilization account amounting to \$287,000; however, only \$17,563 of this amount was required by state statute.

***F. Inventory and Prepaid Items***

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

***G. Capital Assets***

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

***H. 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.

***I. 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.

***J. Fund Balance Reserves***

The District reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement. The District has fund balance reserves for encumbrances, unclaimed monies and budget stabilization. The budget stabilization reserve of \$17,563 represents the amount required by State statute to be set aside at year end. Also reserved at year end was \$1,364,087 for encumbrances and \$4,328 for unclaimed monies. The District also has designated additional fund balances of \$269,437, \$105,085 and \$76,075 for budget stabilization, instructional textbooks and supplies, and capital maintenance, respectively.

***K. Net Assets***

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

***L. 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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

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

The statements report interfund loans as advances when made or repaid. Note 7 lists unpaid advances receivable and payable.

***M. 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 2009.

***N. 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.

**Note 3 – 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 \$16,184 in the general fund.



**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Note 3 – Budgetary Basis of Accounting and Compliance – (continued)**

**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.

**Note 4 – 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;

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

**Note 4 – Deposits and Investments – (continued)**

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).

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, 2009 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, 2009, \$7,131,818 of the District's bank balance of \$8,483,443 was exposed to custodial risk as discussed below, while \$1,351,625 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.

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

**Note 4 – Deposits and Investments – (continued)**

**Investments**

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
STAR Ohio	\$ 240,457	\$ 240,457	\$ -
Total	<u>\$ 240,457</u>	<u>\$ 240,457</u>	<u>\$ -</u>

*Interest Rate Risk:* 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 fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

*Credit Risk:* STAR Ohio carries a rating of AAA by Standard and Poor's.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 240,457	\$ 100
	<u>\$ 240,457</u>	<u>\$ 100</u>

**Note 5 – Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Note 5 – Property Taxes – (continued)**

Tangible personal property tax revenue received during calendar 2009 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2007. In the past, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

HB 66, passed by the Ohio Legislature in June 2005, implemented a phase-out of tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In the calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar year 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2009 was \$111,974 in the general fund, \$15,643 in the bond retirement fund. The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$40,521,070	70.72%	\$47,090,990	76.96%
Industrial/Commercial	6,409,200	11.18%	8,712,190	14.24%
Public Utility	5,146,980	8.98%	5,169,330	8.45%
Tangible Personal Property	5,224,190	9.12%	219,510	0.35%
Total Assessed Value	<u>\$57,301,440</u>	<u>100.00%</u>	<u>\$61,192,020</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.45		\$37.20	

**Note 6 – 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 \$329,108 and \$164,554, respectively, for fiscal year 2009.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Note 7 – Interfund Transactions**

At June 30, 2009 the District had the following inter-fund advances outstanding from the general fund:

<u>Fund</u>	<u>Outstanding Advance</u>
High School of Business	\$ 2,762
Title II-A	3
Total	<u>\$ 2,765</u>

The District transferred \$210,590 to the Permanent Improvement Fund and \$7,414 to Other Governmental Funds from the General Fund to subsidize normal operations. All Ohio Revised Code compliance requirements were met.

The District also transferred \$2,418,575 from Permanent Improvement and \$369,523 from Other Governmental Funds to OSFC CFAP Facility Construction Fund for its local share of the Ohio School Facilities Commission (OSFC) Project. These transfers are in compliance with ORC requirements and OSFC requirements.

**Note 8 – Risk Management**

**A. Risk Pool Membership**

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 76 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the Leipsic Local 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. Employee Medical Benefits**

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Sky Trust. 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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Note 8 – Risk Management – (continued)**

**C. Workers' Compensation**

For fiscal year 2009 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.

**Note 9 – Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org), under *Employer/Audit Resources*.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For Fiscal year ending 2009, it was determined the employer contribution rate to pension and death benefits to be 9.09%. The remaining 4.91% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were \$98,085, \$97,087, and \$93,257 respectively.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a Statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any other school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Note 9 – Defined Benefit Pension Plans – (continued)**

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits**—Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Note 9 – Defined Benefit Pension Plans – (continued)**

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009 were 10% of the covered payroll for members and 14% for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$376,248, \$384,343, and \$371,221, respectfully.

***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, 2009, five Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 10 - Postemployment Benefits**

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.



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

**Note 10 - Postemployment Benefits – (continued)**

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2009, 2008, and 2007, the board allocated 1% of the 14% employer contribution rate to the Health care Stabilization Fund. The 14% employer contribution rate is the maximum rate established under Ohio law. The balance in the Health Care Stabilization Fund was \$3.7 billion on June 30, 2008 (the latest information available). For the fiscal year ended June 30, 2008, net health care costs paid by STRS Ohio were \$288,878,000. There were 126,506 eligible benefit recipients. The District contributions for the years ended June 30, 2009, 2008, and 2007 were \$27,453, \$26,516, and \$25,482, respectively.

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar 2008 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B fund. For fiscal year 2009, the actuarially required allocation is 0.75%. The District contributions for the years ended June 30, 2009, 2008, and 2007 were \$5,255, \$4,577, and \$4,396, respectively, which equaled the required contributions each year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.16%.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Note 10 - Postemployment Benefits – (continued)**

For fiscal 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$37,716, \$39,447, and \$37,889, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, OH 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

**Note 11 – Debt**

The changes in the District's debt obligations during the year consist of the following:

	Principal Outstanding 06/30/2008	Additions	Reductions	Principal Outstanding 06/30/2009	Amount Due in One Year
<b>Governmental Activities</b>					
EPA Asbestos Removal Note (0%)	\$283,232	-	\$66,808	\$216,424	\$66,808
OASBO Loan (Fixed 4.40%)	-	\$816,000	-	816,000	-
OASBO Loan Variable Rate (BMA + 57) Facility Construction Bonds (4.41%)	-	1,223,000	-	1,223,000	-
	4,240,000	-	130,000	4,110,000	140,000
<b>Total</b>	<u>\$4,523,232</u>	<u>\$2,039,000</u>	<u>\$196,808</u>	<u>\$6,365,424</u>	<u>\$206,808</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 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 loans, a fixed rate agreement for \$816,000 and a variable rate agreement for \$1,223,000. These loans 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 loans were used for the renovation of the 1963 section of the current school building.

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

**Note 11 – Debt – (continued)**

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2009 are as follows:

Fiscal Year	Asbestos Loan		Facility Construction Bonds	
	Principal Due	Interest Due	Principal Due	Interest Due
2010	\$66,808	-	\$140,000	\$175,528
2011	66,808	-	140,000	172,168
2012	66,808	-	145,000	168,388
2013	16,000	-	155,000	164,033
2014	-	-	160,000	159,108
2015-2019	-	-	915,000	702,732
2020-2024	-	-	1,220,000	481,797
2025-2028	-	-	1,235,000	123,875
Total	<u>\$216,424</u>	<u>-</u>	<u>\$4,110,000</u>	<u>\$2,147,629</u>

Fiscal Year	OASBO Loan - Variable		OASBO Loan - Fixed		Total Debt Obligation
	Principal Due	Interest Due	Principal Due	Interest Due	
2010	-	\$42,805	-	\$35,904	\$461,045
2011	-	42,805	-	35,904	457,685
2012	-	42,883	-	35,904	458,983
2013	\$58,000	41,715	\$36,000	35,112	505,860
2014	60,000	39,728	38,000	33,484	490,320
2015-2019	334,000	162,617	215,000	140,470	2,469,819
2020-2024	398,000	101,089	267,000	87,582	2,555,468
2025-2028	373,000	26,683	260,000	23,452	2,042,010
Total	<u>\$1,223,000</u>	<u>\$500,325</u>	<u>\$816,000</u>	<u>\$427,812</u>	<u>\$9,441,190</u>

**Note 12 – 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. For fiscal year 2009, only the unspent portion of prior year bureau of workers compensation refunds is shown as a reserve at year end.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital maintenance and budget stabilization. State statute requires disclosing this information.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Note 12 – Set-Aside Calculations – (continued)**

	Instructional Materials Reserve	Capital Maintenance Reserve	Budget Reserve
Set-a-side Reserve Balance as of June 30, 2008	(\$582,334)		\$17,563
Current year set-aside requirements	109,412	109,412	
Current year off-sets		(109,412)	
Qualifying Disbursements	(140,818)	(103,190)	
Set-aside Reserve Balance as of June 30, 2009	(\$613,740)	(\$103,190)	\$17,563
Amount Carried Forward to Fiscal Year 2010	(\$613,740)		\$17,563

Negative fund balance figures in the table above indicate the cumulative amount of qualified expenditures in excess of set-aside requirements thus requiring no reservation of fund balance.

Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero, only the excess expenditures for the textbook reserve can be carried forward to the next fiscal year.

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 designation for textbooks, capital maintenance, and budget reserve as of June 30, 2009. The following table summarizes the additional deposits and related expenditures made during fiscal year 2009.

	Instructional Materials Reserve	Capital Maintenance Reserve	Budget Reserve	Total
Balance at June 30, 2008	\$82,741	\$81,466	\$269,437	\$433,644
Prior Year Encumbrances	51,993	437		52,430
Additional Deposits FY09	121,751	97,700		219,451
Expenditures Against Designated Amounts	(140,818)	(103,190)		(244,008)
Encumbrances Against Designated Amounts	(10,582)	(338)		(10,920)
Total	\$105,085	\$76,075	\$269,437	\$450,597

**Note 13 – Contractual Commitments**

At June 30, 2009 the District had contractual commitments outstanding related to the 1963 building renovations of \$7,319 to Beilharz Architects, Inc., \$28,945 to Mel Lanzer Company, \$217,099 to J.B. & Company, Inc., \$204,512 to Fitzenrider, Inc., and \$39,325 to Stollsteimer Electric, Inc. In addition, the District had contractual commitments outstanding related to the OSFC CFAP building project of \$739,879 to Beilharz Architects, Inc. and \$43,586 to STAN, Inc.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**Note 14 – 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, 2009 will not have a material adverse effect on the District.

**B. Litigation**

The District is not a party to any legal proceedings.

**Note 15 – Jointly Governed Organizations**

**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, Paulding, Putnam, and Van Wert counties, and the cities of St. Mary's 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 elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**Millstream Career Cooperative**

The Millstream Career Cooperative is a distinct political subdivision of the State of Ohio established under Section 3313.90. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Putnam and Hancock Counties' Educational Service Centers serve in an ex-officio capacity for all meetings. To obtain financial information write to the Findlay City School district, Pamela S. Barber, who serves as treasurer, at 227 South West Street, Findlay, Ohio 45840-3377.

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614 W Superior Ave Ste 1242  
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Office phone - (216) 575-1630  
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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Leipsic Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009, wherein we noted the District followed a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2009-LLSD-01.

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

We noted certain matters that we have reported to the management of the District in a separate letter dated November 30, 2009.

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

***Charles E. Harris & Associates, Inc.***

November 30, 2009

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY  
SCHEDULE OF FINDINGS  
June 30, 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-LLSD-01 – Non-compliance Citation**

Ohio Revised Code Section 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. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its financial report in accordance with generally accepted accounting principles. However, the School 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 and notes omit entity-wide statements, and assets, liabilities, fund equities 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.

The District does not intend to report in accordance with generally accepted accounting principles.



**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2009**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
<b>2008-LLSD-01</b>	<b>Ohio Administrative Code Section 117-2- 03 (B)-The District did not report their financial statements on a GAAP basis</b>	<b>No</b>	<b>Not Corrected-See Finding 2009-LLSD- 01</b>

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 10, 2006.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974, "88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibiting incident that is reported;

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

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

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

***Charles E. Harris & Associates, Inc.***  
November 30, 2009





Mary Taylor, CPA  
Auditor of State

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 30, 2010