



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Leipsic Local School District (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Leipsic Local School District, Putnam County, as of June 30, 2000, and the results of its operations and the cash flows of its enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the general-purpose financial statements during fiscal year 2000 the District reclassified the education foundation fund and changed its method of accounting for fixed assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

February 14, 2002

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,064,398	\$143,145		\$77,761
Cash and Cash Equivalents:				
In Segregated Accounts			\$619	
With Fiscal Agents		4,565		
Receivables:				
Taxes	1,968,333			41,948
Accounts	815	1,057		
Intergovernmental	6,476	7,842		
Accrued Interest	4,075	4		428
Interfund Receivable	21,693			
Due from Other Funds				
Prepaid Items	17,492	570		
Inventory Held for Resale				
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	65,825			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$3,149,107	\$157,183	\$619	\$120,137

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$90,466	\$225,706			\$1,601,476
				619
				4,565
				2,010,281
3,846				5,718
1,534				15,852
	4,536			9,043
				21,693
56				56
25				18,087
12,259				12,259
1,933				1,933
				65,825
71,129		\$4,193,332		4,264,461
			\$1,253,801	1,253,801
\$181,248	\$230,242	\$4,193,332	\$1,253,801	\$9,285,669

(Continued)

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$61,294	\$8,771		\$4,175
Accrued Wages	298,521	13,800		
Compensated Absences Payable	25,199			
Interfund Payable		17,317		
Due to Other Funds		56		
Intergovernmental Payable	65,453	2,582		784
Deferred Revenue	1,803,940			
Due to Students				
Deposits Held and Due to Others				
Notes Payable				
Matured Interest Payable			\$619	
Total Liabilities	2,254,407	42,526	619	4,959
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	37,495	15,749		4,717
Reserve for Property Taxes	80,500			
Reserved for Budget Stabilization	65,825			
Unreserved:				
Designated for Budget Stabilization	29,641			
Designated for Capital and Maintenance	2,777			
Designated for Textbooks & Supplies	61,133			
Undesignated	617,329	98,908		110,461
Total Fund Equity and Other Credits	894,700	114,657		115,178
Total Liabilities, Fund Equity and Other Credits	\$3,149,107	\$157,183	\$619	\$120,137

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$5,951	\$1,409			\$81,600
11,217				323,538
5,400			\$408,216	438,815
4,376				21,693
				56
11,384			27,889	108,092
5,564				1,809,504
	14,690			14,690
	3,780			3,780
			817,696	817,696
				619
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
43,892	19,879		1,253,801	3,620,083
		\$4,193,332		4,193,332
137,356				137,356
	21,955			79,916
				80,500
				65,825
				29,641
				2,777
				61,133
	188,408			1,015,106
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
137,356	210,363	4,193,332		5,665,586
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$181,248	\$230,242	\$4,193,332	\$1,253,801	\$9,285,669

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2000**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Revenues:			
Taxes	\$1,927,633		\$135,566
Intergovernmental	2,269,675	\$397,459	
Interest	57,365	974	1,424
Tuition and Fees	51		
Extracurricular Activities		66,357	
Gifts and Donations			
Miscellaneous	302,906	5,143	
Total Revenues	4,557,630	469,933	136,990
Expenditures:			
Current:			
Instruction:			
Regular	1,907,543	95,270	11,790
Special	503,448	113,272	
Vocational	272,569		
Adult/Continuing		2,007	
Other	3,096		
Support Services:			
Pupils	104,160	26,558	
Instructional Staff	160,625	33,999	5,218
Board of Education	9,917		
Administration	403,732	6,619	
Fiscal	169,019	3,818	2,154
Operation and Maintenance of Plant	327,186	691	
Pupil Transportation	160,381	54,705	
Central			
Operation of Non-Instructional Services		85,064	
Extracurricular Activities	122,331	107,820	
Capital Outlay			112,623
Debt Service:			
Principal Retirement			66,808
Total Expenditures	4,144,007	529,823	198,593
Excess of Revenues Over/(Under) Expenditures	413,623	(59,890)	(61,603)
Other Financing Sources/(Uses):			
Proceeds from Sale of Fixed Assets	1,052		
Operating Transfers In		70,000	45,000
Operating Transfers Out	(115,724)		
Total Other Financing Sources/(Uses)	(114,672)	70,000	45,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	298,951	10,110	(16,603)
Fund Balance at Beginning of Year	595,749	104,547	131,781
Fund Balances at End of Year	\$894,700	\$114,657	\$115,178

The notes to the general-purpose financial statements are an integral part of this statement.

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
	\$2,063,199
	2,667,134
\$6,859	66,622
	51
1,342	67,699
35,342	35,342
	308,049
43,543	5,208,096
22,597	2,037,200
	616,720
	272,569
	2,007
	3,096
	130,718
2,258	202,100
	9,917
	410,351
	174,991
	327,877
	215,086
423	423
3,500	88,564
	230,151
	112,623
	66,808
28,778	4,901,201
14,765	306,895
	1,052
	115,000
	(115,724)
	328
14,765	307,223
195,598	1,027,675
\$210,363	\$1,334,898

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Budget Basis)
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2000**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Taxes	\$1,972,126	\$1,972,126	
Intergovernmental	2,264,025	2,264,025	
Interest	57,603	58,004	\$401
Tuition and Fees	51	51	
Extracurricular Activities			
Gifts and Donations			
Miscellaneous	304,329	304,329	
Total Revenues	4,598,134	4,598,535	401
Expenditures:			
Current:			
Instruction:			
Regular	1,915,291	1,915,291	
Special	499,081	499,081	
Vocational	288,894	288,894	
Adult/Continuing			
Other	3,096	3,096	
Support Services:			
Pupils	96,555	96,555	
Instructional Staff	169,342	169,342	
Board of Education	10,779	10,779	
Administration	398,608	398,608	
Fiscal	167,043	167,005	38
Operation and Maintenance of Plant	335,762	335,762	
Pupil Transportation	168,743	168,743	
Central			
Operation of Non-Instructional Services			
Extracurricular Activities	122,507	122,507	
Capital Outlay			
Debt Service:			
Principal Retirement			
Total Expenditures	4,175,701	4,175,663	38
Excess of Revenues Over/(Under) Expenditures	422,433	422,872	439
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	1,052	1,052	
Refund of Prior Year Expenditures	2,357	2,357	
Other Financing Sources			
Advances In	113,094	113,094	
Advances Out	(77,404)	(77,404)	
Operating Transfers In			
Operating Transfers Out	(115,724)	(115,724)	
Total Other Financing Sources (Uses)	(76,625)	(76,625)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	345,808	346,247	439
Fund Balance at Beginning of Year	707,889	707,889	
Prior Year Encumbrances Appropriated	14,435	14,435	
Fund Balance at End of Year	\$1,068,132	\$1,068,571	\$439

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$357,195	\$357,196	\$1	\$133,781	\$133,781	
965	974	9	1,415	1,415	
66,357	66,357				
4,288	4,288				
428,805	428,815	10	135,196	135,196	
114,499	114,499		12,177	12,177	
78,359	78,359				
285	285				
25,413	25,413				
23,801	23,801		5,218	5,218	
6,619	6,619				
3,818	3,818		2,129	2,129	
691	691				
53,653	53,653				
104,698	104,698				
108,131	108,131		149,219	149,219	
			66,808	66,808	
519,967	519,967		235,551	235,551	
(91,162)	(91,152)	10	(100,355)	(100,355)	
62,690	62,690		21,662	21,662	
(99,520)	(99,520)				
70,000	70,000		45,000	45,000	
33,170	33,170		66,662	66,662	
(57,992)	(57,982)	10	(33,693)	(33,693)	
83,964	83,964		63,452	63,452	
94,624	94,624		39,113	39,113	
\$120,596	\$120,606	\$10	\$68,872	\$68,872	

(Continued)

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual Comparison (Budget Basis)
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2000
(Continued)**

	Expendable Trust Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes			
Intergovernmental			
Interest	\$6,819	\$6,819	
Tuition and Fees			
Extracurricular Activities	1,265	1,342	\$77
Gifts and Donations	35,341	35,341	
Miscellaneous			
Total Revenues	43,425	43,502	77
Expenditures:			
Current:			
Instruction:			
Regular	44,552	44,552	
Special			
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils			
Instructional Staff	2,961	2,961	
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central	423	423	
Operation of Non-Instructional Services	3,500	3,500	
Extracurricular Activities			
Capital Outlay			
Debt Service:			
Principal Retirement			
Total Expenditures	51,436	51,436	
Excess of Revenues Over/(Under) Expenditures	(8,011)	(7,934)	77
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Other Financing Sources			
Advances In			
Advances Out			
Operating Transfers In			
Operating Transfers Out			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(8,011)	(7,934)	77
Fund Balance at Beginning of Year	173,358	173,358	
Prior Year Encumbrances Appropriated	18,452	18,452	
Fund Balance at End of Year	\$183,799	\$183,876	\$77

The notes to the general-purpose financial statements are an integral part of this statement.

(Memorandum Only)

<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$2,105,907	\$2,105,907	
2,621,220	2,621,221	\$1
66,802	67,212	410
51	51	
67,622	67,699	77
35,341	35,341	
308,617	308,617	
<u>5,205,560</u>	<u>5,206,048</u>	<u>488</u>
2,086,519	2,086,519	
577,440	577,440	
288,894	288,894	
285	285	
3,096	3,096	
121,968	121,968	
201,322	201,322	
10,779	10,779	
405,227	405,227	
172,990	172,952	38
336,453	336,453	
222,396	222,396	
423	423	
108,198	108,198	
230,638	230,638	
149,219	149,219	
66,808	66,808	
<u>4,982,655</u>	<u>4,982,617</u>	<u>38</u>
<u>222,905</u>	<u>223,431</u>	<u>526</u>
1,052	1,052	
2,357	2,357	
21,662	21,662	
175,784	175,784	
(176,924)	(176,924)	
115,000	115,000	
(115,724)	(115,724)	
<u>23,207</u>	<u>23,207</u>	
246,112	246,638	526
1,028,663	1,028,663	
166,624	166,624	
<u>\$1,441,399</u>	<u>\$1,441,925</u>	<u>\$526</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000**

	Enterprise
Operating Revenues:	
Charges for Services	\$183,363
Classroom Materials and Fees	41,748
Total Operating Revenue	225,111
Operating Expenses:	
Salaries	87,669
Fringe Benefits	52,452
Purchased Services	6,127
Materials and Supplies	4,064
Cost of Sales	176,915
Depreciation	6,851
Other Operating Expenses	1,871
Total Operating Expenses	335,949
Operating Loss	(110,838)
Non-Operating Revenues:	
Federal Donated Commodities	28,367
Operating Grants	120,954
Interest	1,691
Total Non-Operating Revenues	151,012
Income Before Operating Transfers	40,174
Operating Transfers In	374
Net Income	40,548
Retained Earnings at Beginning of Year	96,808
Retained Earnings at End of Year	\$137,356

The notes to the general-purpose financial statements are an integral part of this statement.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Fund Equity
Budget and Actual Comparison (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$183,575	\$183,575	
Interest	1,634	1,691	\$57
Classroom Materials & Fees	41,479	41,479	
Operating Grants	129,461	129,461	
Total Revenues	356,149	356,206	57
Expenses:			
Salaries	87,416	87,416	
Fringe Benefits	44,869	44,869	
Purchased Services	6,127	6,127	
Materials and Supplies	162,948	162,948	
Capital Outlay	47,282	47,282	
Other	1,870	1,870	
Total Expenses	350,512	350,512	
Excess of Revenues over Expenses	5,637	5,694	57
Other Financing Sources/(Uses):			
Advances In	14,715	14,715	
Advances Out	(13,452)	(13,452)	
Operating Transfers In	374	374	
Total Other Financing Sources/(Uses)	1,637	1,637	
Excess of Revenues and Other Financing Sources Over Expenses and Other Financing Uses	7,274	7,331	57
Fund Equity at Beginning of Year	48,593	48,593	
Prior Year Encumbrances Appropriated	3,306	3,306	
Fund Equity at End of Year	\$59,173	\$59,230	\$57

The notes to the general-purpose financial statements are an integral part of this statement.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000**

	Enterprise
Increase in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$183,575
Cash Received from Classroom Materials and Fees	41,479
Cash Payments to Suppliers for Goods and Services	(159,775)
Cash Payments to Employees for Services	(87,416)
Cash Payments for Employee Benefits	(44,869)
Cash Payments for Misc. Expenses	(1,870)
Net Cash Used for Operating Activities	(68,876)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	129,461
Operating Transfers In	374
Short-Term Loans from Other Funds	14,715
Short-Term Loans to Other Funds	(13,452)
Net Cash Provided by Noncapital Financing Activities	131,098
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(25,346)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	1,691
Net Increase in Cash and Cash Equivalents	38,567
Cash and Cash Equivalents at Beginning of Year	51,899
Cash and Cash Equivalents at End of Year	\$90,466
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$110,838)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	6,851
Donated Commodities Used During Year	28,367
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(2,386)
Decrease in Due from Other Funds	89
Increase in Prepaid Items	(25)
Increase in Inventory Held for Resale	(664)
Increase in Materials and Supplies Inventory	(668)
Increase in Accounts Payable	4,010
Increase in Accrued Wages	252
Increase in Compensated Absences Payable	5,400
Increase in Intergovernmental Payable	1,678
Decrease in Deferred Revenue	(942)
Total Adjustments	41,962
Net Cash Used by Operating Activities	(\$68,876)

The notes to the general-purpose financial statements are an integral part of this statement.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established prior to 1912. The School District serves an area approximately 54 square miles. It is located in Putnam County and includes the Villages of Belmore, Leipsic, and West Leipsic also portions of Blanchard, Ottawa, Liberty, Palmer and Van Buren Townships. The School District is the 548th largest in the State of Ohio (among 611 School Districts) in terms of enrollment. The School District is staffed by 25 classified employees, 53 certified full-time teaching personnel, and 4 administrative employees who provide services to 759 students and other community members. The School District currently operates one elementary, middle and high school.

Reporting Entity

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

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

The School District's reporting entity includes the following:

Saint Mary's Catholic School – Within the School 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 School District, as directed by the parochial school. The activity is reflected in a special revenue fund of the School District.

The School District is associated with four organizations which are defined as jointly governed organizations and insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Millstream Career Cooperative, the Putnam County Schools Insurance Group, and the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (GRP). Information about these organizations is presented in Notes 16 and 17 to the combined financial statements.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial settlement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for special purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, the payment of, general long-term obligation principal, interest, and related costs.

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Capitol Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by propriety funds or trust funds).

Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District had no nonexpendable trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in propriety funds or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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The enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year-end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, grants, investment earnings, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes of the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary

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control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Eisenhower, Title VI-B Preschool, Title VI-B School Age, and Drug Free special revenue funds are flow-through grants in which the Putnam County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted, and the School District does not maintain separate budgetary records.

Advances-in and advances-out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Putnam County Budget Commission for rate determined.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditure, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several

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supplemental appropriation resolutions were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of moneys are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Moneys for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2000 investments were limited to certificates of deposit, and money market deposit accounts.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$57,365, which includes \$15,370 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months and are not part of the cash management pool are reported as investments.

Cash held for the School District by the Putnam County Educational Service Center and by The Bank of Leipsic Company who services the District's bond and coupon payments is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent" and "Cash and Cash Equivalents in Segregated Accounts."

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E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District capitalizes fixed assets with a minimum threshold of two hundred dollars and minimum useful life of one year. The School District does not have any infrastructure.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fund fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of five to ten years.

H. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments.

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The liability is an estimate based on the School District's past experience of making termination payments.

For government funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension obligations, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after year-end are considered not to have used current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

State Foundation Program
State Property Tax Relief

Special Revenue Fund

School Bus Purchase Allowance

Non-Reimbursable Grants:

Special Revenue Funds

Auxiliary Services
Professional Development

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Management Information Systems
Adult Vocation Education
Ohio Reads
Safe School Helpline
SchoolNet Professional Development
Disadvantaged Pupil Impact Aid
Continuous Improvement Program
Migrant Education
Title I Grants to Local Education Agencies
Title VI
Telecommunications
LSTA
School-To-Work
Eisenhower Grant
Title VI-B Preschool Grant
Title VI-B School Age Grant
Drug Free Grant

Capital Projects Fund

SchoolNet Plus
Interactive Video Distance Learning

Reimbursable Grants:

General Fund

Drivers Education

Proprietary Funds

National School Lunch Program
Special Milk Program
Government Donated Commodities
School Breakfast Startup Grant

Grants and entitlements amounted to approximately forty-nine percent of the School District's operating revenue during the 2000 fiscal year.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Transfers-in do not equal transfers-out on the accompanying financial statements due to \$350 in transfers from governmental funds to the agency funds.

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M. Fund Balance Reserves and Designations

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. Designations reflect tentative management plans which are subject to change.

The School District budget stabilization reserve on June 30, 2000 of \$65,825, represents the State required amount to be set a side. The District set a side an additional \$29,641 for budget stabilization which is recorded as designated fund balance on the financial statements, and the District has designated additional fund balances of \$2,777 and \$61,133 for capital and maintenance and instructional textbooks and supplies, respectively.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1994, the exact amount of contributed capital cannot be determined. Consequently, no amounts have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

O. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside to create a reserve for budget stabilization.

P. Estimates

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

Q. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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NOTE 3 - RESTATEMENT OF PRIOR YEAR'S FUND EQUITY

In prior years the District's education foundation fund had been classified as an expendable trust fund, for fiscal year 2000 it has been appropriately reclassified as a special revenue fund. In addition, during fiscal year 2000 the District discontinued accounting for textbooks as fixed assets and completed a review of all assets included on the fixed assets listing including a review of amounts previously recorded as depreciation expense. These changes had the following effect on the previously reported fund balances/equity:

	<u>Special Revenue Funds</u>	<u>Expendable Trust Funds</u>	<u>Enterprise Funds</u>
Fund Balance/Equity as previously reported at 6/30/99	\$90,261	\$209,884	\$74,893
Adjustment for:			
Fund reclassifications	14,286	(14,286)	
Fixed assets			21,915
Restated Fund Balance/Equity at 7/1/99	<u>\$104,547</u>	<u>\$195,598</u>	<u>\$96,808</u>

This change had the following effect on the previously reported excess of revenues over/(under) expenditures/ net income:

	<u>Special Revenue Funds</u>	<u>Expendable Trust Funds</u>	<u>Enterprise Funds</u>
Excess of revenues over/(under) expenditures - net income as previously reported at 6/30/99	\$34,319	(\$6,420)	\$2,845
Adjustment for:			
Fund reclassifications	736	(736)	
Fixed assets			
Restated excess of revenues over/(under) expenditures - net income at 6/30/99	<u>\$35,055</u>	<u>(\$7,156)</u>	<u>\$2,845</u>

The fixed assets reported in the general fixed assets account group decreased \$303,039, from \$4,381,097 to \$4,078,058, due to the change in fixed assets.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and the Similar Fiduciary Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
4. Although not part of the appropriated budget, Eisenhower, Title VI-B Preschool, Title VI-B School Age, and Drug Free special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental and Similar Fiduciary Fund Types				
	General	Special Revenue	Capital Projects	Expendable Trust
Budget Basis	\$346,247	(\$57,982)	(\$33,693)	(\$7,934)
Adjustments:				
Revenue Accruals	(156,356)	(21,572)	(19,868)	41
Expenditure Accruals	43,628	67,146	28,066	(353)
Encumbrances	65,432	22,518	8,892	23,011
GAAP Basis	\$298,951	\$10,110	(\$16,603)	\$14,765

Net Income - Excess of Revenues and Other Financing Sources Over Expenses and Other Financing Uses Proprietary Fund Type	
	Enterprise
Budget Basis	\$7,331
Adjustments:	
Revenue Accruals	5,202
Expenditure Accruals	(3,222)
Encumbrances	31,237
GAAP Basis	\$40,548

NOTE 5 – CASH AND CASH EQUIVALENTS

State statutes classify moneys held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such moneys must be maintained either as cash in the School District Treasury, in commercial accounts payable or

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withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 moneys. Interim moneys are those moneys 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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all money deposited with the institution.

Interim moneys may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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; and
6. 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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the

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treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end the School District had \$4,565 held by the Putnam County Educational Service Center. This amount is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

At fiscal year end, the School District had \$619 held by The Bank of Leipsic Company, who services the School District's bond/coupon payments. This amount is included on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$1,667,301 and the bank balance was \$1,764,158. Of the bank balance, \$200,000 was covered by federal depository insurance and the remaining balance was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,672,485	
Cash in Segregated Accounts	(619)	
Cash and Cash Equivalents with Educational Service Center	(4,565)	
GASB Statement No. 3	\$1,667,301	

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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For the Fiscal Year Ended June 30, 2000
(Continued)**

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Putnam County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property, and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$80,500 and has been credited to the General Fund.

The assessed values upon which the fiscal year 2000 taxes were collected are:

	1999 Second-half Collections		2000 First-half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$30,260,000	55.25%	\$35,468,310	57.47%
Industrial/Commercial	3,015,940	5.51	4,141,310	6.71
Public Utility	6,775,310	12.37	7,306,330	11.84
Tangible Personal Property	14,720,241	26.87	14,797,299	23.98
Total Assessed Value	<u>\$54,771,491</u>	<u>100.00%</u>	<u>\$61,713,249</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$37.20</u>		<u>\$35.63</u>	

NOTE 7 - INCOME TAXES

The School District levies a voted one-half percent tax for general operations and one-quarter percent tax for permanent improvements on the income of residents and of estates. The one-half percent tax was effective on January 1, 1992, with the one-quarter 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and Capital Project Fund.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 8 - RECEIVABLES AND INTERFUND ASSETS/LIABILITIES

Receivables at June 30, 2000, consisted of taxes, accounts (student fees and billings for user charged services), intergovernmental grants and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

At June 30, 2000 the District had the following interfund receivables/payables and due to/from other funds:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$21,693	
Title VI-R Special Revenue Fund		\$17,317
Enterprise Funds		
Uniform School Supplies		2,965
Rotary Services		1,411
	<u>\$21,693</u>	<u>\$21,693</u>
	<u>Due from other funds</u>	<u>Due to other funds</u>
Uniform School Supplies Enterprise Fund	\$56	
Migrant Education Special Revenue Fund		\$56

NOTE 9 - FIXED ASSETS

The District changed the reporting system used for tracking fixed assets. During the changeover process, fixed asset classes were changed and fixed asset transactions that were omitted in the prior fiscal years were reconciled to the current fixed asset listing. This created an adjustment to the beginning fixed asset balance in the General Fixed Asset Account Group and to the beginning fixed asset balance and accumulated depreciation balance in the enterprise funds.

A summary of the enterprise funds' fixed assets during fiscal year 2000 follows:

Machinery and Equipment	\$114,293
Less: Accumulated Depreciation	<u>(43,164)</u>
Net Fixed Assets	<u>\$71,129</u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	<u>Balance at 7/1/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/00</u>
Land	\$147,777	\$6,207		\$153,984
Buildings	2,068,716			2,068,716
Furniture and Equipment	1,460,595	112,066	\$25,296	1,547,365
Vehicles	400,970	53,653	31,356	423,267
Totals	<u>\$4,078,058</u>	<u>\$171,926</u>	<u>\$56,652</u>	<u>\$4,193,332</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted for the following insurance coverage:

Coverage provided by Indiana Insurance Company is as follows:

Buildings and Contents - replacement cost (\$500 deductible)	\$10,124,285
Inland Marine Coverage (\$250 deductible)	44,100
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Medical Payments - per person	5,000

Coverage's provided by Nationwide Insurance are as follows:

General School District Liability Per Occurrence	2,000,000
Total Per Year	5,000,000
Umbrella Liability Insurance	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2000, the School District participated in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 17). The Plan is intended to achieve the benefit of a reduced premium for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

The District participates in the Putnam County Schools Insurance Group (PCSIG), an insurance purchasing pool consisting of 11 member entities. The experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the PCSIG. The District pays monthly premiums to the Medical Mutual of Ohio for employee medical benefits.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$320,204, \$305,156, and \$294,808, respectively; 82.83 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$54,972 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations. 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 School District's contributions to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$67,370, \$67,876, and \$59,946, respectively; 52.81 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$35,580 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, two

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

Board of education members had elected Social Security. The board's liability is 6.2 percent of wages paid.

NOTE 12 - POST EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$182,974 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$37,062 for fiscal year 2000.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to fifteen days of vacation per year, depending upon length of service. The superintendent earns 20 days vacation per year while the treasurer earns 15 days per year. Only the superintendent and treasurer may carry vacation days over

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

from one year to the next. The superintendent may carry over one half of his yearly allowance, while the treasurer may carry over five days. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 180 days for school personnel, except the superintendent and treasurer who may accumulate up to 260 days and the principals who may accumulate up to 222 days. Upon retirement, with ten years of service, payment is made for twenty-five percent of accrued but unused sick leave on a maximum of 160 days. Certified employees who retire within their first year of eligibility are paid fifty percent of accrued but unused sick leave on a maximum of 160 days. If the accrued but unused sick leave days exceed 180 days, then leave above 180 days will be converted to retirement pay at the rate of one day for each fifteen days of unused sick leave.

B. Personal Leave

Each employee of the District is allowed three personal leave days per year. These days may not be carried over from one year to the next, however, the employees will be paid for all of their unused personal days at the end of the year at the substitute rate for that position.

C. Insurance

The District has elected to provide employee medical/surgical benefits at reduced or no costs to full-time employees and at prorated costs to part-time employees. In an attempt to stabilize health care costs the District belongs to the Putnam County School Insurance Group which works with Medical Mutual of Ohio for medical/surgical insurance coverage. The Putnam County Schools Insurance Group is a public entity shared risk pool consisting of nine local school districts, the Putnam County Board of MR/DD and the Putnam County Educational Service Center. The Putnam County Education Service Center serves as fiscal agent for the consortium and for this service receives \$1 per month per employee from the consortium and the member entity's pooled cash. The consortium plan provides a comprehensive medical/surgical health care plan with a \$200 single and \$400 family deductible. The consortium members send to Medical Mutual of Ohio a monthly payment representing 100 percent of the premium rate set by Medical Mutual of Ohio. As of June 30, 2000, the District paid \$194.67 per month for Comprehensive Major Medical (CMM) single coverage and \$177.49 per month for Preferred Provider Organization (PPO) single coverage and \$498.36 per month for CMM family coverage and \$454.41 per month for PPO family coverage. The premium is paid by the fund/function that pays the employee's salary. Dental coverage is provided to the District's employees through Medical Mutual of Ohio and the premium for family coverage was \$41.92 per month and the premium for single coverage was \$16.37 per month on June 30, 2000, with the employees paying \$3.00 per month.

Starting September 1, 1998, certificated employees of the School District participate in a self-insured prescription drug insurance benefit program run and maintained by the Leipsic Education Association (LEA). The program reimburses the employees for the cost of prescriptions in excess of the amount paid by the employee's medical insurance less a \$5.00 co-payment. All claims are paid by the LEA with the request for reimbursement submitted by the employee on behalf of the LEA. The School District's, by negotiated agreement, contributes \$2,100 per month to the program.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

	<u>Principal Outstanding at 6/30/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding at 6/30/00</u>
EPA Asbestos Removal Note No Interest, Matures 2103	\$884,504		\$66,808	\$817,696
Compensated Absences	453,486		45,270	408,216
Intergovernmental Payables	35,697	27,889	35,697	27,889
Total General Long-Term Obligations	<u>\$1,373,687</u>	<u>\$27,889</u>	<u>\$147,775</u>	<u>\$1,253,801</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.

The compensated absences recorded above represent the noncurrent portion of accrued but unused vacation and sick leave benefits. The current portion has been recorded in the appropriate fund types.

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>EPA Loan</u>
2001	\$66,808
2002	66,808
2003	66,808
2004	66,808
2005	66,808
2006-2010	334,040
2011-2013	149,616
Total	<u>\$817,696</u>

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and rotary services. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2000.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Rotary Services</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$183,363	\$41,748		\$225,111
Operating Expenses less Depreciation	288,354	38,959	\$1,785	329,098
Depreciation Expense	6,851			6,851
Operating Income (Loss)	(111,842)	2,789	(1,785)	(110,838)
Donated Commodities	28,367			28,367
Operating Grants	120,954			120,954
Other Non-Operating Revenues	1,691			1,691
Operating Transfers In			374	374
Net Income (Loss)	39,170	2,789	(1,411)	40,548
Property, Plant, and Equipment Additions	25,346			25,346
Total Assets	173,929	7,319		181,248
Long Term Liabilities	5,400			5,400
Net Working Capital	69,129	3,909	(1,411)	71,627
Total Equity	134,858	3,909	(1,411)	137,356
Encumbrances Outstanding at June 30, 2000	27,821	3,416		31,237

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School 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. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. The School District paid NOACSC \$3,932 for services provided during the year. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. 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. The School District paid the Blanchard Valley Cooperative Vocational Career Center \$38,240 for services provided during the year. To obtain

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

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.

NOTE 17 - INSURANCE POOLS

A. Putnam County Schools Insurance Group

The District participates in the Putnam County Schools Insurance Group (PCSIG), an insurance purchasing pool consisting of 11 member entities. The experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the PCSIG. The District pays monthly premiums to the Medical Mutual of Ohio for employee medical benefits. The insurance group is governed by an advisory committee consisting of each member's superintendent or designee and a teacher from each participating school district.

B. NOACSC Workers' Compensation Group Rating Program

The School District participates in the Northwest Ohio Area Computer Cooperative Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District paid GRP \$933 for services provided during the year.

NOTE 18 - CONTINGENT LIABILITIES

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

NOTE 19 – STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 14, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 20 – RESERVATION AND DESIGNATION OF FUND BALANCE

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the School District is required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

	<u>Instructional Materials</u>	<u>Capital and Maintenance</u>	<u>Budget Reserve</u>	<u>Totals</u>
Balance as of June 30, 1999			\$46,330	\$46,330
Current Year Set-aside Requirement	\$107,316	\$107,316	35,772	250,404
Allowable Offsets		(107,316)	(16,277)	(123,593)
Qualifying Expenditures	(107,316)			(107,316)
Balance as of June 30, 2000	<u> </u>	<u> </u>	<u>\$65,825</u>	<u>65,825</u>
Total Restricted Assets				<u>\$65,825</u>

Amounts of qualifying expenditures presented in the tables were limited to those necessary to reduce the year and balance to zero. Additional expenditures are included in the designations described below.

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 improvements, and budget stabilization as of June 30, 2000. The following table summarizes the additional deposits and related expenditures made during fiscal year 2000.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

	<u>Instructional Materials</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Balance as of June 30, 1999			\$48,218	\$48,218
Amount transferred to reserve			(19,495)	(19,495)
Additional amounts deposited during fiscal year 2000	\$153,177	\$102,000	918	256,095
Additional expenditures and encumbrances against designated amounts	(92,044)	(99,223)		(191,267)
Balance as of June 30, 2000	<u>\$61,133</u>	<u>\$2,777</u>	<u>\$29,641</u>	<u>93,551</u>
Total Designated Assets				<u><u>\$93,551</u></u>

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Leipsic Local School District, Putnam County (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated February 14, 2002, in which we disclosed the District reclassified its education foundation fund and changed its method of accounting for fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 14, 2002.

Leipsic Local School District
Putnam County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

February 14, 2002

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-10269-001	ORC § 135.18 deposits exceed depository insurance and pledged collateral.	Yes	
1999-10269-002	Adopt contingency plan for Year 2000		Finding no longer valid.
1999-10269-003	District complete a physical inventory of all property and equipment to verify accuracy of fixed assets listing.	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 12, 2002**