



Dave Yost • Auditor of State

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis	11
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Assets and Fund Balances Cash Basis – Governmental Funds.....	13
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds	14
Statement of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual – Budget Basis – General Fund	15
Statement of Fund Net Position Cash Basis – Proprietary Fund.....	16
Statement of Receipts, Disbursements and Change in Fund Net Position – Cash Basis – Proprietary Fund	17
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Funds	19
Notes to the Basic Financial Statements.....	21
Federal Awards Receipts and Expenditures Schedule.....	41
Notes to the Federal Awards Receipts and Expenditures Schedule	42
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	45
Schedule of Findings.....	47
Corrective Action Plan.....	51
Schedule of Prior Audit Findings.....	53

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local District, Putnam County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Dave Yost
Auditor of State

Columbus, Ohio

March 14, 2014

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

This discussion and analysis of the Leipsic Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2012, within the limitations of the District's Other Comprehensive Basis of Accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key highlights for 2012 are as follows:

Net position of governmental activities decreased \$4,735,580, or 42.25 percent, from the prior year.

Net position of business type activities decreased \$5,757, or 7.02 percent, from the prior year.

The District's general governmental receipts were \$5,985,681 or 77.35 percent of all revenue, these being primarily property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,753,146 or 22.65 percent of total revenues of \$7,738,827.

The District's business type general receipts were \$1,146 or 0.31 percent of all revenue, these being miscellaneous revenue. Program specific revenues in the form of charges for services and operating grants accounted for \$370,687 or 99.69 percent of total revenues of \$371,833.

The District had \$12,474,407 in expenses related to governmental activities: only \$1,753,146 of these expenses were offset by program specific charges for services and grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,985,681 were not adequate to provide for these programs.

The District had \$377,590 in expenses related to business type activities, these expenses were offset by program specific charges for services and operating grants of \$370,687. The District also had \$1,146 in general revenues and a beginning cash balance of \$82,050 which were adequate to provide for these programs.

The District's major governmental funds were the General Fund and Ohio School Facility Commission / Classroom Facility Assistance Program (OSFC/CFAP) Fund. The major funds had \$6,362,597 and \$360,660, respectively, in revenues and other financing sources, and \$6,079,662 and \$4,830,422, respectively, in expenditures and other financing uses. During fiscal year 2012, the major funds' balances, increased or (decreased) by \$282,935 and (\$4,469,762), respectively.

The District's business type Food Service Fund had \$371,833 in revenue and \$377,590 in expenses. During fiscal year 2012 the food service fund balance decreased \$5,757 from \$82,050 to \$76,293.

Using this Annual Report

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Report Components

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

Fund financial statements provide a greater level of detail. For governmental and business type funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For Leipsic Local School District, the General Fund, OSFC/CFAP Fund, and the Food Service Fund are the most significant funds.

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

Basis of Accounting

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

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

Reporting the District as a Whole

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2012, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Reporting the District's Most Significant Funds

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

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

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

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

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

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2012 compared to fiscal year 2011 on the cash basis of accounting.

Table 1
Net Position

	Governmental Activities 2012	Governmental Activities 2011	Business Type Activities 2012	Business Type Activities 2011	Total Activities 2012	Total Activities 2011
Assets:						
Cash and Cash Equivalents	\$6,471,778	\$11,207,358	\$76,293	\$82,050	\$6,548,071	\$11,289,408
Net Position:						
Restricted	3,897,217	9,256,890	76,293	82,050	3,973,510	9,338,940
Unrestricted	2,574,561	1,950,468			2,574,561	1,950,468
Total Net Position	\$6,471,778	\$11,207,358	\$76,293	\$82,050	\$6,548,071	\$11,289,408

Over time, net position can serve as a useful indicator of a government's financial position. At year-end, net position was \$6,471,778 for governmental activities and \$76,293 for business type activities.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

A portion of the District's net position, \$3,897,217 represents resources that are subject to external restriction on how they may be used. The remaining balance of net position of \$2,574,561 may be used to meet the District's ongoing obligations to the students and creditors. The entire business type net position total is restricted.

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

	<u>Table 2</u>			
	Governmental Activities 2012	Business Type Activities 2012	Governmental Activities 2011	Business Type Activities 2011
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$367,875	\$176,112	\$361,929	\$168,749
Operating Grants and Contributions	1,004,662	194,575	1,302,062	177,927
Capital Grants and Contributions	380,609		6,909,715	
Total Program Receipts	1,753,146	370,687	8,573,706	346,676
General Receipts:				
Property Taxes Levied for General Purposes	1,690,910		1,459,750	
Property Taxes Levied for Debt Service	217,374		187,421	
School District Income Taxes for General Purposes	320,335		305,867	
School District Income Taxes for Capital Projects	160,049		152,933	
Payment in Lieu of Taxes	18,489		18,547	
Grants and Entitlements Not Restricted to Specific Programs	3,473,916		3,685,886	
Proceeds from Sale of Capital Assets	7,155		50,502	
Donations	64,000		60,000	
Interest	3,689		7,845	
Miscellaneous	29,764	1,146	25,043	552
Total General Receipts	5,985,681	1,146	5,953,794	552
Total Receipts	\$7,738,827	\$371,833	\$14,527,500	\$347,228
Disbursements:				
Instruction:				
Regular	2,954,934		\$2,965,991	
Special	932,017		783,467	
Vocational	307,828		263,798	
Support Services:				
Pupil	67,730		84,465	
Instructional Staff	275,262		343,232	
Board of Education	28,717		23,935	
Administration	494,589		529,166	
Fiscal	253,235		241,159	
Operation and Maintenance of Plant	494,872		510,052	
Pupil Transportation	423,704		254,272	
Operation of non-instructional services	78,502		104,426	
Food Services		377,590		342,141
Extracurricular Activities	317,618		335,895	
Capital Outlay	5,202,160		8,247,092	

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Debt Service				
Principal	434,808		206,808	
Interest and Fiscal Charges	208,431		212,029	
Total Disbursements	12,474,407	377,590	15,105,787	342,141
Increase (Decrease) in Net Position	(4,735,580)	(5,757)	(578,287)	5,087
Net Position, July 1	11,207,358	82,050	11,785,645	76,963
Net Position, June 30	\$6,471,778	\$76,293	\$11,207,358	\$82,050

Net position of the District's governmental activities decreased \$4,735,580. Total governmental expenses of \$12,474,407 were offset by program revenues of \$1,753,146 and general revenues of \$5,985,681. Program revenues supported 14.05 percent of the total governmental expenses.

The primary sources of revenue for the governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 75.76 percent of total governmental revenue. Real estate property is reappraised every six years.

Net position of the District's business type activities decreased \$5,757. Total business type expenses of \$377,590 were offset by program revenues of \$370,687 and general revenues of \$1,146.

Governmental and Business Type Activities

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

Table 3

	Governmental Activities		Business Type Activities		Governmental Activities		Business Type Activities	
	Total Cost		Total Cost		Total Cost of		Total Cost of	
	of	Net Cost of	of	Net Cost of	Services	Net Cost of	Services	Net Cost of
	Services	Services	Services	Services	Services	Services	Services	Services
	2012	2012	2012	2012	2011	2011	2011	2011
Current:								
Instruction:								
Regular	\$2,954,934	\$2,699,262			\$2,965,991	\$2,595,243		
Special	932,017	363,178			783,467	222,612		
Vocational	307,828	225,932			263,798	181,838		
Support Services:								
Pupil	67,730	64,130			84,465	73,522		
Instructional Staff	275,262	245,434			343,232	117,548		
Board of Education	28,717	28,717			23,935	23,935		
Administration	494,589	494,589			529,166	522,641		
Fiscal	253,235	253,235			241,159	241,159		
Operation & Maintenance of Plant	494,872	494,872			510,052	504,005		
Pupil Transportation	423,704	354,604			254,272	233,089		
Operation of non-instructional serv.	78,502	(2,841)			104,426	2,470		
Operation of Food Services			\$377,590	\$6,903			\$342,141	(\$4,535)

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Extracurricular Activities	317,618	175,030		335,895	196,190			
Capital Outlay	5,202,160	4,821,551		8,247,092	1,337,377			
Debt Service								
Principal	434,808	295,137		206,808	68,423			
Interest and Fiscal Charges	208,431	208,431		212,029	212,029			
Total Disbursements	\$12,474,407	\$10,721,261	\$377,590	\$6,903	\$15,105,787	\$6,532,081	\$342,141	(\$4,535)

The dependence upon tax receipts and unrestricted state entitlements is apparent, 78.39 percent of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 85.95 percent. The District's taxpayers, as a whole, are by far the primary support for District students.

The District's Funds

The District's funds are accounted for using the cash basis of accounting. Fund balance in the General Fund increased \$282,935 largely due to increase in local property and income taxes and intergovernmental receipts. The \$4,469,762 decrease in fund balance in the OSFC/CFAP Fund was due to the building project moving closer to completion.

General Fund Budgeting Highlights

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

During fiscal year 2012, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts and other financing sources, in the amount of \$6,327,586, exceeded the amount of the original budgeted revenue and other financing sources estimate of \$5,259,305. Actual revenues and other financing sources for fiscal year 2012 was \$6,327,587. This represents a \$1 increase from final budgeted revenues.

General Fund final budgeted appropriations (appropriated expenditures plus other financing uses) of \$6,332,929 were \$590,715 more than the original budget amount of \$5,742,214. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$6,010,198, which was \$322,731 less than the final budget appropriations.

Debt

At June 30, 2012, the District had outstanding debt of \$16,000 for an interest free United States EPA Asbestos Abatement Loan; \$3,685,000 in facility construction bonds issued for the District portion of the new school building project; \$816,000 in a lease/purchase agreement. The lease/purchase was used to renovate the 1963 section of the current school building.

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

Current Issues

The challenge for all districts is to provide quality educational services to the public while staying within the restrictions imposed by limited funding, and in some cases shrinking funding. The District relies

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

heavily on unrestricted state entitlements and local taxes. The District's five year forecast predicts no deficits in the near future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mr. David Miller, Treasurer, Leipsic Local School District, 232 Oak Street, Leipsic Ohio 45856-1312.

This page intentionally left blank.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Net Position - Cash Basis
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets	<u>\$6,471,778</u>	<u>\$76,293</u>	<u>\$6,548,071</u>
Net Position			
Restricted for:			
Capital Projects	2,854,967		2,854,967
Debt Service	271,045		271,045
Other Purposes	734,080	76,293	810,373
Set Asides	37,125		37,125
Unrestricted	<u>2,574,561</u>	<u> </u>	<u>2,574,561</u>
<i>Total Net Position</i>	<u>\$6,471,778</u>	<u>\$76,293</u>	<u>\$6,548,071</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2012

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current:							
Instruction:							
Regular	\$2,954,934	\$214,929	\$40,743		(\$2,699,262)		(\$2,699,262)
Special	932,017		568,839		(363,178)		(363,178)
Vocational	307,828		81,896		(225,932)		(225,932)
Support Services:							
Pupil	67,730		3,600		(64,130)		(64,130)
Instructional Staff	275,262	8,595	21,233		(245,434)		(245,434)
Board of Education	28,717				(28,717)		(28,717)
Administration	494,589				(494,589)		(494,589)
Fiscal	253,235				(253,235)		(253,235)
Operation and Maintenance of Plant	494,872				(494,872)		(494,872)
Pupil Transportation	423,704	2,937	66,163		(354,604)		(354,604)
Operation of Non-Instructional Services	78,502		81,343		2,841		2,841
Extracurricular Activities	317,618	141,414	1,174		(175,030)		(175,030)
Capital Outlay	5,202,160			\$380,609	(4,821,551)		(4,821,551)
Debt Repayment:							
Principal	434,808		139,671		(295,137)		(295,137)
Interest and Fiscal Charges	208,431				(208,431)		(208,431)
<i>Total Governmental Activities</i>	<u>12,474,407</u>	<u>367,875</u>	<u>1,004,662</u>	<u>380,609</u>	<u>(10,721,261)</u>		<u>(10,721,261)</u>
Business-Type Activity							
Food Service	377,590	176,112	194,575			(\$6,903)	(6,903)
Total	<u>\$12,851,997</u>	<u>\$543,987</u>	<u>\$1,199,237</u>	<u>\$380,609</u>	<u>(10,721,261)</u>	<u>(6,903)</u>	<u>(10,728,164)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					1,690,910		1,690,910
Debt Service					217,374		217,374
Income Taxes Levied for:							
General Purposes					320,335		320,335
Capital Projects					160,049		160,049
Grants and Entitlements not Restricted to Specific Programs					3,473,916		3,473,916
Payments in Lieu of Taxes					18,489		18,489
Proceeds from Sale of Capital Assets					7,155		7,155
Interest					3,689		3,689
Donations					64,000		64,000
Miscellaneous					29,764	1,146	30,910
<i>Total General Receipts</i>					<u>5,985,681</u>	<u>1,146</u>	<u>5,986,827</u>
Change in Net Position					(4,735,580)	(5,757)	(4,741,337)
<i>Net Position Beginning of Year</i>					<u>11,207,358</u>	<u>82,050</u>	<u>11,289,408</u>
<i>Net Position End of Year</i>					<u>\$6,471,778</u>	<u>\$76,293</u>	<u>\$6,548,071</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2012

	<u>General</u>	<u>OSFC/CFAP Facility Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$2,985,155</u>	<u>\$2,773,023</u>	<u>\$713,600</u>	<u>\$6,471,778</u>
Fund Balances				
Non-Spendable:	4,441			4,441
Restricted for:				
Capital Projects		2,773,023	208,067	2,981,090
Set-a-sides	37,125			37,125
Debt Service			271,045	271,045
Other Purposes			110,792	110,792
Total Restricted	<u>37,125</u>	<u>2,773,023</u>	<u>589,904</u>	<u>3,400,052</u>
Committed for:				
Capital Projects			24,772	24,772
Education Foundation	15,177		98,924	114,101
School Bus Fund	72,309			72,309
Termination Benefits	272,292			272,292
Total Committed	<u>359,778</u>		<u>123,696</u>	<u>483,474</u>
Assigned for:				
Encumbrances	11,537			11,537
Other Purposes	8,969			8,969
Total Assigned	<u>20,506</u>			<u>20,506</u>
Unassigned	<u>2,563,305</u>			<u>2,563,305</u>
<i>Total Fund Balances</i>	<u>\$2,985,155</u>	<u>\$2,773,023</u>	<u>\$713,600</u>	<u>\$6,471,778</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Receipts, Disbursements and Changes in
Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	OSFC/CFAP Facility Construction	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,690,910		\$217,374	\$1,908,284
Income Taxes	320,335		160,049	480,384
Payment in Lieu of Taxes			18,489	18,489
Intergovernmental	3,970,337	\$356,185	526,794	4,853,316
Interest	3,332	4,475	1,021	8,828
Tuition and Fees	214,929			214,929
Extracurricular Activities			137,361	137,361
Donations			59,000	59,000
Miscellaneous	30,893		20,188	51,081
<i>Total Receipts</i>	<u>6,230,736</u>	<u>360,660</u>	<u>1,140,276</u>	<u>7,731,672</u>
Disbursements				
Current:				
Instruction:				
Regular	2,758,569		196,365	2,954,934
Special	692,162		239,855	932,017
Vocational	294,506		13,322	307,828
Support Services:				
Pupil	63,619		4,111	67,730
Instructional Staff	119,987		155,275	275,262
Board of Education	28,717			28,717
Administration	493,020		1,569	494,589
Fiscal	244,042		9,193	253,235
Operation and Maintenance of Plant	494,747		125	494,872
Pupil Transportation	373,268		50,436	423,704
Operation of Non-Instructional Services			78,502	78,502
Extracurricular Activities	186,917		130,701	317,618
Capital Outlay		4,830,422	371,738	5,202,160
Debt Service:				
Principal Retirement			434,808	434,808
Interest and Fiscal Charges			208,431	208,431
<i>Total Disbursements</i>	<u>5,749,554</u>	<u>4,830,422</u>	<u>1,894,431</u>	<u>12,474,407</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>481,182</u>	<u>(4,469,762)</u>	<u>(754,155)</u>	<u>(4,742,735)</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	7,155			7,155
Advance In	99,706		330,108	429,814
Advance Out	(330,108)		(99,706)	(429,814)
Transfers In	25,000			25,000
Transfers Out			(25,000)	(25,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(198,247)</u>		<u>205,402</u>	<u>7,155</u>
<i>Net Change in Fund Balances</i>	282,935	(4,469,762)	(548,753)	(4,735,580)
<i>Fund Balances Beginning of Year (Restated)</i>	<u>2,702,220</u>	<u>7,242,785</u>	<u>1,262,353</u>	<u>11,207,358</u>
<i>Fund Balances End of Year</i>	<u>\$2,985,155</u>	<u>\$2,773,023</u>	<u>\$713,600</u>	<u>\$6,471,778</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual Comparison -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property Taxes	\$1,675,786	\$1,792,773	\$1,690,910	(\$101,863)
Income Taxes	300,000	320,335	320,335	
Intergovernmental	3,058,519	3,868,473	3,970,337	101,864
Interest	3,000	3,332	3,332	
Tuition and Fees	20,000	214,929	214,929	
Miscellaneous	2,000	20,759	20,759	
<i>Total Receipts</i>	<u>5,059,305</u>	<u>6,220,601</u>	<u>6,220,602</u>	<u>1</u>
Disbursements				
Current:				
Instruction:				
Regular	2,607,257	2,747,992	2,750,591	(2,599)
Special	670,787	948,557	692,277	256,280
Vocational	250,654	255,884	294,665	(38,781)
Support Services:				
Pupil	67,461	67,573	63,148	4,425
Instructional Staff	81,690	97,413	120,325	(22,912)
Board of Education	30,226	33,002	28,717	4,285
Administration	542,719	578,137	493,020	85,117
Fiscal	231,900	242,387	244,222	(1,835)
Operation and Maintenance of Plant	506,389	582,273	514,957	67,316
Pupil Transportation	240,314	268,314	295,316	(27,002)
Extracurricular Activities	188,417	188,017	180,852	7,165
<i>Total Disbursements</i>	<u>5,417,814</u>	<u>6,009,549</u>	<u>5,678,090</u>	<u>331,459</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(358,509)</u>	<u>211,052</u>	<u>542,512</u>	<u>331,460</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets		7,155	7,155	
Advances In	200,000	99,830	99,830	
Advances Out	(324,400)	(321,380)	(330,108)	(8,728)
Transfers Out		(2,000)	(2,000)	
<i>Total Other Financing Sources (Uses)</i>	<u>(124,400)</u>	<u>(216,395)</u>	<u>(225,123)</u>	<u>(8,728)</u>
<i>Net Change in Fund Balance</i>	(482,909)	(5,343)	317,389	322,732
<i>Fund Balance Beginning of Year (Restated)</i>	2,481,543	2,481,543	2,481,543	
Prior Year Encumbrances Appropriated	63,677	63,677	63,677	
<i>Fund Balance End of Year</i>	<u><u>\$2,062,311</u></u>	<u><u>\$2,539,877</u></u>	<u><u>\$2,862,609</u></u>	<u><u>\$322,732</u></u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fund Net Position - Cash Basis
Proprietary Fund
June 30, 2012

	<u>Food Service Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$76,293</u></u>
Net Position	
Unassigned	<u><u>\$76,293</u></u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Receipts, Disbursements and Change in
Fund Net Position - Cash Basis - Proprietary Fund
For the Fiscal Year Ended June 30, 2012

	<u>Food Service Fund</u>
Operating Receipts	
Charges for Services	<u>\$176,112</u>
 Operating Disbursements	
Personal Services	177,261
Materials and Supplies	<u>200,329</u>
<i>Total Operating Disbursements</i>	<u>377,590</u>
<i>Operating Loss</i>	<u>(201,478)</u>
 Non-Operating Receipts:	
Interest	23
Intergovernmental Revenue	194,552
Other Non-Operating Revenue	<u>1,146</u>
<i>Total Non-Operating Receipts</i>	<u>195,721</u>
<i>Change in Net Position</i>	(5,757)
Net Position - Beginning of Year	<u>82,050</u>
<i>Net Position - End of Year</i>	<u><u>\$76,293</u></u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$158,709	\$27,119
Liabilities		
Due to students		27,119
Total Liabilities		\$27,119
Net Position		
Restricted:		
Held in Trust for Scholarships	158,709	
Total Net Position	\$158,709	

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	<u>Private Purpose Trust</u>
Additions	
Interest	<u>\$2,728</u>
Deductions	
Scholarship Payments	<u>3,500</u>
<i>Changes in Net Position</i>	(772)
<i>Net Position Beginning of Year</i>	<u>159,481</u>
<i>Net Position End of Year</i>	<u><u>\$158,709</u></u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. Description of the School District and Reporting Entity

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

The District was established prior to 1912. The District serves an area approximately 54 square miles. It is located in Putnam County and includes the Villages of Bellmore, Leipsic, and West Leipsic also portions of Blanchard, Ottawa, Liberty, Palmer and Van Buren Townships. The District is the 560th largest in the State of Ohio (among 612 school districts) in terms of enrollment. The District is staffed by 29 classified employees, 47 certified teaching personnel, and four administrative employees who provide services to 632 students and other community members. The District currently operates one elementary, middle and high school.

Reporting Entity

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

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

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

The District’s reporting entity includes the following:

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

The District participates in two jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District’s boundaries for the benefit of its residents because the District is not financially accountable for these entities, nor are these entities fiscally dependent on the District. Notes 9 and 16 to the basic financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Millstream Career and Technology Center

Public Entity Risk Pool:

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its Governmental or business-type activities and to its enterprise funds. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

Fiduciary Funds: The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

D. Cash, Cash Equivalents and Investments

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

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

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

During 2012, the School District invested in STAR Ohio, certificates of deposit, money market deposit accounts and savings accounts.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012.

District allocates interest earning according to state statute. Interest revenue credited to the General Fund during fiscal year 2012 was \$3,332, which includes \$933 assigned from other District funds.

E. Inventory and Prepaid Items

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

F. Capital Assets

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

G. Compensated Absences

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

H. Long-term Obligations

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

I. Net Position

Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for capital projects, debt service, and state and federal grants. The District's policy is to first apply restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position are available.

J. Fund Balance Reserves

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

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

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

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

K. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs. Interfund balances are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the Board of Education's control that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during fiscal 2012.

M. Budgetary Process

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

N. Stabilization Arrangement

The Board of Education has \$300,000 set aside for budget stabilization. The Board has set aside these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. Of the \$300,000, only \$17,563 was required by state statute and is reported as restricted funds in the General Fund. For the remaining \$282,427, the Board may remove the budget stabilization arrangement at any time, therefore the amount is reported as unassigned fund balance in the General Fund.

3. Accounting and Compliance

A. Change in Accounting Principle

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position.

B. Restatement of Fund Balance

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

	<u>General</u>	<u>OSFC/CFAP Facility Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance at June 30, 2011	\$2,576,959	\$7,242,785	\$1,387,614	\$11,207,358
Reclassify Bus Purchase Fund	<u>125,261</u>	_____	<u>(125,261)</u>	_____
Adjusted Fund Balance at July 1, 2011	<u>2,702,220</u>	<u>7,242,785</u>	<u>1,262,353</u>	<u>11,207,358</u>

C. Compliance

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. Budgetary Basis of Accounting

Budgetary

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

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General fund:

<u>Net Change in Fund Cash Balance</u>	
	<u>General Fund</u>
Cash Basis	\$282,935
Funds Budgeted Elsewhere	45,991
Adjustment for Encumbrances	<u>(11,537)</u>
Budget Basis	<u><u>\$317,389</u></u>

As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on the cash basis. This includes the Termination Benefits Fund.

5. Deposits and Investments

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

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. Deposits and Investments (Continued)

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

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

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

Cash on Hand – At June 30, 2012 the District had \$150 cash on hand.

Deposits with Financial Institutions

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. Deposits and Investments (Continued)

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$3,343,915 of the District's bank balance of \$6,385,801 was exposed to custodial risk as discussed below, while \$3,282,990 was covered by Federal Deposit Insurance Corporation.

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

Investments

As of June 30, 2012, the District's only investment was \$241,104 in STAR Ohio

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

6. Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

6. Property Taxes (Continued)

The full tax rate at the fiscal year ended June 30, 2012 was \$36.05 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2012 taxes were collected were as follows:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$47,861,850	72.79%	\$59,011,900	76.91%
Industrial/Commercial	12,786,380	19.44%	12,502,710	16.30%
Public Utility	4,904,740	7.46%	5,211,230	6.79%
Tangible Personal Property	207,080	0.31%	-	-
Total Assessed Value	\$65,760,050	100.00%	\$76,725,840	100.00%
Tax rate per \$1,000 of assessed valuation	\$36.70		\$36.05	

The amount available as an advance at June 30, 2012 was \$122,152 in the General Fund, \$16,378 in the Bond Retirement Fund.

7. School District Income Tax

The District levies a voted tax of .50 percent for general operations and .25 percent for permanent improvements on the income of residents and of estates. The .50 percent tax was effective January 1, 1992, with the .25 percent effective January 1, 1997, both are a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the district after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and Permanent Improvement Fund and totaled \$320,335 and \$160,049, respectively, for fiscal year 2012.

8. Interfund Balances

At June 30, 2012 the District had the following inter-fund advances outstanding from the General Fund:

<u>Fund</u>	<u>Outstanding Advance</u>
Facility Construction	\$146,000
Education Jobs	63,442
Migrant	35,405
Race to the Top	24,025
Advanced Placement	6,590
Title I	126,430
Title II-A	27,032
Title II-D	987
Total	<u>\$429,911</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. Risk Management

A. Schools of Ohio Risk Sharing Authority

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

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

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

SORSA financial statements are available by contacting SORSA at:

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

B. Putnam County Schools Insurance Group

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. Risk Management (Continued)

C. Workers' Compensation

For fiscal year 2012 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

10. Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocated the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits is 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligation to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$96,282, \$92,375, and \$98,352 respectively; 98 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. Defined Benefit Pension Plans (Continued)

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

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contribution to STRS Ohio for fiscal years ended June 30, 2012, 2011, and 2010 were \$386,599, \$367,652, \$384,432, respectively. For fiscal year 2012, 82 percent has been contributed for the DBP and the CP. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DC for fiscal year 2011 was \$473 made by the District and \$326 made by the plan members.

C. Social Security System

Effective July 1, 1991, all officials not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, three Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. Postemployment Benefits

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2012, this amount was \$35,800. For fiscal year 2012, the District paid \$11,216 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$14,998, \$11,185, and \$13,692, respectively. For fiscal year 2012, 84 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was .75 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$5,158, \$5,945, and \$5,339, respectively: 38 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description – The District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. Postemployment Benefits (Continued)

Funding Policy – Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$27,614, \$28,281, and \$27,458, respectively; 83 percent has been contributed fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

12. Debt

The changes in the District's debt obligations during fiscal year 2012 consist of the following:

	Principal Outstanding 06/30/2011	Reductions	Principal Outstanding 06/30/2012	Amount Due in One Year
Governmental Activities				
EPA Asbestos Removal Note (0%)	\$82,808	\$66,808	\$16,000	\$16,000
OASBO Lease/Purchase Agreement (4.40%)	816,000		816,000	36,000
OASBO Lease/Purchase Variable Rate(BMA + 57) Facility Construction Bonds (4.41%)	223,000	223,000		
	<u>3,830,000</u>	<u>145,000</u>	<u>3,685,000</u>	<u>155,000</u>
Total	<u>\$4,951,808</u>	<u>\$434,808</u>	<u>\$4,517,000</u>	<u>\$207,000</u>

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

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

During fiscal year 2009 the District acquired \$2,039,000 in debt financing through two lease/purchase agreements, a fixed rate agreement for \$816,000 and a variable rate agreement for \$1,223,000. These lease/purchase agreements are sponsored by the Ohio Association of School Business Officials (OASBO) and run through the Columbus Port Authority; US Bank is the fiscal agent. The proceeds of these lease/purchase agreements were used for the renovation of the 1963 section of the current school building. During fiscal year 2012, the variable rate lease/purchase agreement was fully redeemed by the District.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. Debt (Continued)

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2012 are as follows:

Fiscal Year	<u>Asbestos Loan</u>		<u>Facility Construction Bonds</u>	
	Principal Due	Interest Due	Principal Due	Interest Due
2013	\$16,000		\$155,000	\$164,033
2014			160,000	159,108
2015			165,000	153,745
2016			175,000	147,919
2017			180,000	141,256
2018-2022			1,080,000	590,306
2023-2027			1,475,000	267,803
2028			295,000	7,375
Total	<u>\$16,000</u>		<u>\$3,685,000</u>	<u>\$1,631,545</u>

Fiscal Year	<u>OASBO Lease/Purchase</u>		Total Debt Obligation
	Principal Due	Interest Due	
2013	\$36,000	\$35,112	\$406,145
2014	38,000	33,484	390,592
2015	39,000	31,790	389,535
2016	41,000	30,030	393,949
2017	43,000	28,182	392,438
2018-2022	245,000	110,110	2,025,416
2023-2027	305,000	49,874	2,097,677
2028	69,000	1,518	372,893
Total	<u>\$816,000</u>	<u>\$320,100</u>	<u>\$6,468,645</u>

13. Set-Aside Calculations

State statute annually requires the District to set aside in the general fund an amount based on a statutory formula to acquire and construct capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years. In prior years, the District was also required to set aside money for budget stabilization.

In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2012, only the unspent portion of prior year bureau of workers compensation refunds is shown as a set-aside at year end.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. Set-Aside Calculations (Continued)

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

	Capital Acquisition	Budget Reserve
Balance June 30, 2011	\$103,272	\$17,563
Current Year Set-aside Requirements	107,956	
Current Year Off-sets	(107,956)	
Qualifying Expenditures	(83,710)	
Set-aside Amounts as of June 30, 2012	<u>\$19,562</u>	<u>\$17,563</u>

14. Contractual Commitments

At June 30, 2012 the District had contractual commitments outstanding related to the 1963 building renovations of \$1,500 to J.B. and Company, Inc., \$7,657 to Schroeder Masonry, Inc., \$3,611 to County Enterprises, Inc., \$18,160 to Wadsworth Slawson NW, \$3,681 to Torrence Sound Equipment, \$23,982 to Fitzenrider, Inc. \$17,416 to Stafford Building Products, \$5,190 to Masin Roofing, Inc. \$7,191 to American Athletix, and \$20,834 to Superior Energy Solutions. In addition, the District had contractual commitments outstanding related to the OSFC/CFAP building project of \$9,865 to Beilharz Architects, Inc., \$16,273 to STAN, Inc., \$1,159 to Lawhon and Associates, \$1,000 to Mel Lanzer Company, \$2,168 to Vulcan Enterprises, Inc., \$36,790 to Woolace Electric Corp., \$71,128 to Jamison Well Drilling, Inc., \$9,592 to Martin Public Seating, Inc., \$26,272 to Continental Office Environment, \$40,736 to Netech, \$4,825 to Ward Construction, and \$690 to Five Angle Construction.

15. Contingencies

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2012 will not have a material adverse effect on the District.

B. Litigation

The District is not a party to any legal proceedings.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

16. Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert counties, and the cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2012, the District paid \$13,307 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Career Cooperative

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

This page intentionally left blank.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$30,806	\$30,806
National School Lunch Program:			
Cash Assistance	10.555	159,654	159,654
Non-cash Assistance (Commodities)	10.555	56,360	56,360
Total National School Lunch Program		<u>216,014</u>	<u>216,014</u>
Total United States Department of Agriculture		<u>246,820</u>	<u>246,820</u>
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010		114,351
Education Technology State Grants	84.318		987
Improving Teacher Quality State Grants	84.367		25,518
Special Education Cluster:			
Special Education - Grants to States	84.027		152,158
Special Education - Preschool Grants	84.173		2,803
ARRA - Special Education - Grants to States	84.391	65,300	65,300
Total Special Education Cluster		<u>65,300</u>	<u>220,261</u>
Rural Education	84.358	24,676	20,862
Education Jobs Fund	84.410	32,890	98,930
Migrant Education - State Grant Programs	84.011		40,902
ARRA - Race to The Top	84.395	4,410	33,981
Total United States Department of Education		<u>127,276</u>	<u>555,792</u>
Total Federal Awards Receipts and Expenditures		<u>\$374,096</u>	<u>\$802,612</u>

The accompanying notes are an integral part of this schedule.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amounts passed through to its subrecipient were \$154,961.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-002 and 2012-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 14, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Leipsic Local School District's, Putnam County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Leipsic Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2012-004. This finding did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 14, 2014

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: School Breakfast Program CFDA #10.553 and National School Lunch Program CFDA #10.555 Special Education Cluster: Education Grants to States CFDA #84.027, Early Childhood Grant CFDA #84.173, and ARRA – Education Grants to States CFDA #84.391
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2012-001

Noncompliance Citation

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

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

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

FINDING NUMBER 2012-002

Financial Reporting - Material Weakness

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

The financial statement contained the following errors:

- On the Statement of Net Position, \$339,014 of operating grants in the Governmental Activities was misclassified as general receipts instead of program revenue.
- Intergovernmental revenues/operating grants and special instruction disbursements of \$154,961, for federal grants spent on behalf of the District by the Putnam County Educational Service Center, were not reported in the Other Governmental Funds and Governmental Activities.
- The beginning fund balance of the General Fund Budgetary Statement was overstated by \$157,000.

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

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

FINDING NUMBER 2012-003

Reporting and Budgeting Ohio Department of Education Grants - Material Weakness

Sound accounting practices require money spent on behalf of the District by other governments be posted to the District's ledgers. Furthermore, Ohio Revised Code § 5705.42 deems the funds appropriated, eliminating the need for the District to approve a formal appropriation for these monies, however, this section does require the District to record the appropriation.

The District was the beneficiary of \$154,961 in 2012, of Special Education Cluster money paid directly to the Putnam County Educational Service Center (ESC) by the Ohio Department of Education (ODE). This activity and the corresponding appropriations were not recorded on the ledgers of the District. Since ODE forwards the grant to the ESC, the District did not receive this cash. However, Auditor of State Bulletin 2000-08 prescribes recording these transactions as receipts and disbursements when the District applies for a grant and has administrative responsibilities. The accompanying financial statements were adjusted to reflect the amounts in Other Governmental Funds.

We recommend the District record all benefits received from State or Federal grants as a memo receipt and expenditure on the District's records, request an amended certificate of estimated resources for these funds and the Board approve a corresponding appropriation for the expenditure. In addition, District management should review Auditor of State Bulletin 2000-08.

Officials' Response:

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

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2012-004

Noncompliance Citation

OMB Circular A-133 § .200(a), Audits of State and Local Governments and Non-Profit Organizations, requires Non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted in accordance with provisions of OMB Circular A-133.

OMB Circular A-133 § .320, requires the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The District expended greater than \$500,000 in Federal awards during fiscal year 2012 and did not have a single audit or a program-specific audit conducted to meet the nine month deadline. The District did not receive an extension to this filing requirement.

Officials' Response:

See Corrective Action Plan on the following page.

This page intentionally left blank.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-004	The posting of pass-through IDEA money had not been done in the past; when these expenditures are added our federal expenditures are over \$500,000. In future years the District will post this activity to ensure a single audit is performed when needed.	April 1, 2014	David Miller, Treasurer

This page intentionally left blank.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Administrative Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as finding 2012-001.
2011-002	Material recommendation to improve monitoring of financial statements.	No	Finding has not been corrected and is repeated in this report as finding 2012-002.

This page intentionally left blank.



Dave Yost • Auditor of State

LEIPSIC LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2014**