



**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Leipsic Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Leipsic Local School District, Putnam County, as of June 30, 2001, and the results of its operations and the cash flows of its enterprise funds for the year then ended in conformity with accounting principals generally accepted in the United States of America.

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

Jim Petro
Auditor of State

February 14, 2002

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$964,728	\$331,889		\$734,745
Cash and Cash Equivalents:				
In Segregated Accounts			\$619	
With Fiscal Agents		1,760		
Receivables:				
Taxes	2,003,876			45,702
Accounts	1,000	337		
Intergovernmental	3,908	103,725		
Accrued Interest	6,262	427		513
Interfund Receivable	68,324			
Prepaid Items	24,677	499		
Inventory Held for Resale				
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Cash Equivalents	17,563			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$3,090,338	\$438,637	\$619	\$780,960

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$91,089	\$224,511			\$2,346,962
				619
				1,760
				2,049,578
1,626				2,963
3,242				110,875
	5,485			12,687
				68,324
				25,176
15,823				15,823
1,561				1,561
				17,563
82,370		\$4,323,209		4,405,579
			\$1,249,016	1,249,016
\$195,711	\$229,996	\$4,323,209	\$1,249,016	\$10,308,486

(Continued)

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$80,692	\$20,248		\$5,091
Accrued Wages	308,397	16,105		
Compensated Absences Payable	24,122			
Interfund Payable		324		30,000
Intergovernmental Payable	68,476	4,044		734
Deferred Revenue	1,825,170	47,460		
Due to Students				
Notes Payable				
Deposits Held and Due to Others				
Matured Interest Payable			\$619	
Total Liabilities	2,306,857	88,181	619	35,825
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	99,774	71,905		58,257
Reserved for Budget Stabilization	17,563			
Reserved for Property Taxes	87,304			
Unreserved:				
Designated for Capital and Maintenance	81,073			
Designated for Textbooks & Supplies	60,334			
Designated for Technology	42,234			
Undesignated	395,199	278,551		686,878
Total Fund Equity and Other Credits	783,481	350,456		745,135
Total Liabilities, Fund Equity and Other Credits	\$3,090,338	\$438,637	\$619	\$780,960

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
16,759	21,360			144,150
12,474				336,976
8,091			467,753	499,966
38,000				68,324
11,851	59		30,375	115,539
8,056				1,880,686
	14,414			14,414
			750,888	750,888
	3,968			3,968
				619
<u>95,231</u>	<u>39,801</u>		<u>1,249,016</u>	<u>3,815,530</u>
		4,323,209		4,323,209
100,480				100,480
	21,208			251,144
				17,563
				87,304
				81,073
				60,334
				42,234
	168,987			1,529,615
<u>100,480</u>	<u>190,195</u>	<u>4,323,209</u>		<u>6,492,956</u>
<u>\$195,711</u>	<u>\$229,996</u>	<u>\$4,323,209</u>	<u>\$1,249,016</u>	<u>\$10,308,486</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Revenues:			
Taxes	\$2,032,449		\$142,076
Intergovernmental	2,451,485	\$515,202	47,000
Interest	79,585	1,059	1,786
Extracurricular Activities		70,325	
Gifts and Donations		101,103	
Compensation for Property Tax Exemption	176,431	25,000	87,492
Miscellaneous	53,774	30,518	6,201
Total Revenues	4,793,724	743,207	284,555
Expenditures:			
<u>Current:</u>			
Instruction:			
Regular	1,948,980	123,760	57,415
Special	507,854	139,614	
Vocational	299,789	3,547	
Adult/Continuing		643	
Other	7,837		
Support Services:			
Pupils	108,237	17,584	
Instructional Staff	163,224	44,077	
Board of Education	11,478		
Administration	438,040	5,366	
Fiscal	160,178	2,989	2,260
Operation and Maintenance of Plant	362,110	530	
Pupil Transportation	177,024		
Central		617	
Operation of Non-Instructional Services		110,001	
Extracurricular Activities	126,486	94,468	
Capital Outlay			85,547
Debt Service:			
Principal Retirement			66,808
Total Expenditures	4,311,237	543,196	212,030
Excess of Revenues Over/(Under) Expenditures	482,487	200,011	72,525
Other Financing Sources/(Uses):			
Proceeds from Sale of Fixed Assets	2,035		
Operating Transfers In		35,788	557,432
Operating Transfers Out	(595,741)		
Total Other Financing Sources/(Uses)	(593,706)	35,788	557,432
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(111,219)	235,799	629,957
Fund Balance at Beginning of Year	894,700	114,657	115,178
Fund Balances at End of Year	\$783,481	\$350,456	\$745,135

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

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
	\$2,174,525
	3,013,687
\$8,252	90,682
1,175	71,500
33,400	134,503
	288,923
	90,493
<u>42,827</u>	<u>5,864,313</u>
50,714	2,180,869
	647,468
	303,336
	643
	7,837
	125,821
6,281	213,582
	11,478
	443,406
	165,427
	362,640
	177,024
	617
6,000	116,001
	220,954
	85,547
	<u>66,808</u>
<u>62,995</u>	<u>5,129,458</u>
<u>(20,168)</u>	<u>734,855</u>
	2,035
	593,220
	<u>(595,741)</u>
	<u>(486)</u>
(20,168)	734,369
<u>210,363</u>	<u>1,334,898</u>
<u>\$190,195</u>	<u>\$2,069,267</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Budget Basis)
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Taxes	\$2,018,136	\$2,018,136	
Compensation for Property Tax Exemption	176,431	176,431	
Intergovernmental	2,459,019	2,459,019	
Interest	77,500	77,398	(\$102)
Extracurricular Activities			
Gifts and Donations			
Miscellaneous	40,775	40,775	
Total Revenues	4,771,861	4,771,759	(102)
Expenditures:			
Current:			
Instruction:			
Regular	2,000,279	2,000,279	
Special	512,029	512,029	
Vocational	312,190	312,190	
Adult/Continuing			
Other	7,837	7,837	
Support Services:			
Pupils	110,213	110,213	
Instructional Staff	174,801	174,801	
Board of Education	11,335	11,335	
Administration	449,765	449,765	
Fiscal	159,562	159,054	508
Operation and Maintenance of Plant	383,681	372,991	10,690
Pupil Transportation	194,145	194,145	
Central			
Operation of Non-Instructional Services			
Extracurricular Activities	126,456	126,456	
Capital Outlay			
Debt Service:			
Principal Retirement			
Total Expenditures	4,442,293	4,431,095	11,198
Excess of Revenues Over/(Under) Expenditures	329,568	340,664	11,096
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	2,035	2,035	
Refund of Prior Year Expenditures	9,875	9,875	
Refund of Prior Year Receipts	(2,134)	(2,134)	
Advances In	126,946	126,946	
Advances Out	(173,478)	(173,478)	
Operating Transfers In			
Operating Transfers Out	(595,741)	(595,741)	
Total Other Financing Sources (Uses)	(632,497)	(632,497)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(302,929)	(291,833)	11,096
Fund Balance at Beginning of Year	1,068,571	1,068,571	
Prior Year Encumbrances Appropriated	65,432	65,432	
Fund Balance at End of Year	\$831,074	\$842,170	\$11,096

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$138,322	\$138,322	
\$25,000	\$25,000		87,492	87,492	
402,997	402,997		47,000	47,000	
1,157	1,200	\$43	1,701	1,701	
99,392	99,392				
102,364	102,364		6,202	6,202	
630,910	630,953	43	280,717	280,717	
133,033	133,033		57,496	57,496	
75,925	75,925				
3,887	3,887				
449	449				
17,373	17,373				
39,130	39,130				
5,366	5,366		2,230	2,230	
2,890	2,890				
530	530				
52,560	52,560				
120,839	120,839		147,979	147,979	
98,395	98,386	9			
			66,808	66,808	
550,377	550,368	9	274,513	274,513	
80,533	80,585	52	6,204	6,204	
86,253	86,253		30,000	30,000	
(103,345)	(103,345)		557,432	557,432	
35,788	35,788				
18,696	18,696		587,432	587,432	
99,229	99,281	52	593,636	593,636	
120,606	120,606		68,872	68,872	
22,518	22,518		8,891	8,891	
\$242,353	\$242,405	\$52	\$671,399	\$671,399	

(Continued)

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Budget Basis)
All Governmental and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2001
(Continued)**

	<u>Expendable Trust Funds</u>		Variance Favorable (Unfavorable)
	<u>Revised Budget</u>	<u>Actual</u>	
Revenues:			
Taxes			
Compensation for Property Tax Exemption			
Intergovernmental			
Interest	\$7,303	\$7,303	
Extracurricular Activities	1,478	1,580	\$102
Gifts and Donations	33,400	33,400	
Miscellaneous			
Total Revenues	<u>42,181</u>	<u>42,283</u>	<u>102</u>
Expenditures:			
Current:			
Instruction:			
Regular	60,380	60,380	
Special			
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils			
Instructional Staff	18,879	18,879	
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central	539	539	
Operation of Non-Instructional Services	6,000	6,000	
Extracurricular Activities			
Capital Outlay			
Debt Service:			
Principal Retirement			
Total Expenditures	<u>85,798</u>	<u>85,798</u>	
Excess of Revenues Over/(Under) Expenditures	<u>(43,617)</u>	<u>(43,515)</u>	<u>102</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Refund of Prior Year Receipts			
Advances In			
Advances Out			
Operating Transfers In			
Operating Transfers Out			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>(43,617)</u>	<u>(43,515)</u>	<u>102</u>
Fund Balance at Beginning of Year	183,876	183,876	
Prior Year Encumbrances Appropriated	23,011	23,011	
Fund Balance at End of Year	<u><u>\$163,270</u></u>	<u><u>\$163,372</u></u>	<u><u>\$102</u></u>

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

(Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,156,458	\$2,156,458	
288,923	288,923	
2,909,016	2,909,016	
87,661	87,602	(\$59)
100,870	100,972	102
33,400	33,400	
149,341	149,341	
<hr/> 5,725,669	<hr/> 5,725,712	<hr/> 43
2,251,188	2,251,188	
587,954	587,954	
316,077	316,077	
449	449	
7,837	7,837	
127,586	127,586	
232,810	232,810	
11,335	11,335	
455,131	455,131	
164,682	164,174	508
384,211	373,521	10,690
246,705	246,705	
539	539	
126,839	126,839	
224,851	224,842	9
147,979	147,979	
66,808	66,808	
<hr/> 5,352,981	<hr/> 5,341,774	<hr/> 11,207
<hr/> 372,688	<hr/> 383,938	<hr/> 11,250
2,035	2,035	
9,875	9,875	
(2,134)	(2,134)	
243,199	243,199	
(276,823)	(276,823)	
593,220	593,220	
(595,741)	(595,741)	
<hr/> (26,369)	<hr/> (26,369)	<hr/>
<hr/> 346,319	<hr/> 357,569	<hr/> 11,250
1,441,925	1,441,925	
119,852	119,852	
<hr/> \$1,908,096	<hr/> \$1,919,346	<hr/> \$11,250

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001**

	Enterprise
Operating Revenues:	
Charges for Services	\$203,955
Classroom Materials and Fees	40,569
Total Operating Revenue	244,524
Operating Expenses:	
Salaries	93,086
Fringe Benefits	50,565
Purchased Services	23,151
Materials and Supplies	3,912
Cost of Sales	195,800
Depreciation	13,373
Other Operating Expenses	760
Total Operating Expenses	380,647
Operating Loss	(136,123)
Non-Operating Revenues/(Expenses):	
Federal Donated Commodities	26,869
Operating Grants	72,593
Interest	1,440
Loss on Disposal of Fixed Assets	(3,826)
Total Non-Operating Revenues (Expenses)	97,076
Loss Before Operating Transfers	(39,047)
Operating Transfers In	2,171
Net Loss	(36,876)
Retained Earnings at Beginning of Year	137,356
Retained Earnings at End of Year	\$100,480

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Fund Equity
Budget and Actual Comparison (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001**

	Enterprise Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Charges for Services	\$206,337	\$206,337	
Interest	1,362	1,440	\$78
Classroom Materials and Fees	40,679	40,679	
Operating Grants	70,885	70,885	
Total Revenues	319,263	319,341	78
Expenses:			
Salaries	91,830	91,830	
Fringe Benefits	47,829	47,829	
Purchased Services	23,151	23,151	
Materials and Supplies	203,347	203,347	
Capital Outlay	28,497	28,497	
Other	759	759	
Total Expenses	395,413	395,413	
Excess of Expenses Over Revenues	(76,150)	(76,072)	78
Other Sources/(Uses):			
Advances In	53,750	53,750	
Advances Out	(20,126)	(20,126)	
Operating Transfers In	2,171	2,171	
Total Other Financing Sources/(Uses)	35,795	35,795	
Excess of Expenses and Other Financing Uses Over Revenues and Other Financing Sources	(40,355)	(40,277)	78
Fund Equity at Beginning of Year	59,230	59,230	
Prior Year Encumbrances Appropriated	31,237	31,237	
Fund Equity at End of Year	\$50,112	\$50,190	\$78

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001**

	Enterprise
Increase in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$206,337
Cash Received from Classroom Materials & Fees	40,679
Cash Payments to Suppliers for Goods and Services	(185,655)
Cash Payments to Employees for Services	(91,830)
Cash Payments for Employee Benefits	(47,829)
Cash Payments for Misc. Expenses	(759)
Net Cash Used for Operating Activities	(79,057)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	70,885
Operating Transfers In	2,171
Short-Term Loans from Other Funds	53,750
Short-Term Loans to Other Funds	(20,126)
Net Cash Provided by Noncapital Financing Activities	106,680
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(28,440)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	1,440
Net Increase in Cash and Cash Equivalents	623
Cash and Cash Equivalents at Beginning of Year	90,466
Cash and Cash Equivalents at End of Year	\$91,089
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$136,123)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	13,373
Donated Commodities Used During Year	26,869
<u>Changes in Assets and Liabilities:</u>	
Decrease in Accounts Receivable	2,220
Decrease in Due from Other Funds	56
Decrease in Prepaid Items	25
Increase in Inventory Held for Resale	(3,564)
Decrease in Materials and Supplies Inventory	372
Increase in Accounts Payable	10,808
Increase in Accrued Wages	1,257
Increase in Compensated Absences Payable	2,691
Increase in Intergovernmental Payable	467
Increase in Deferred Revenue	2,492
Total Adjustments	57,066
Net Cash Used by Operating Activities	(\$79,057)

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established prior to 1912. The School District serves an area approximately 54 square miles. It is located in Putnam County and includes the Villages of Belmore, Leipsic, and West Leipsic also portions of Blanchard, Ottawa, Liberty, Palmer and Van Buren Townships. The School District is the 563rd largest in the State of Ohio (among 612 School Districts) in terms of enrollment. The School District is staffed by 24 classified employees, 53 certified full-time teaching personnel, and 4 administrative employees who provide services to 694 students and other community members. The School District currently operates one elementary, middle and high school.

Reporting Entity

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

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

The School District's reporting entity includes the following:

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Proprietary Fund Type

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

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

Fiduciary Fund Types

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

Account Groups

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

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

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the enterprise funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

**LEIPSIC LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

C. Budgetary Process

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

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

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

Tax Budget

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

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuring year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditure, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District.

**LEIPSIC LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted; however, none of these amendments were significant.

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

Encumbrances

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

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Moneys for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2001 investments were limited to certificates of deposit, and money market deposit accounts.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$79,585, which includes \$11,150 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments

**LEIPSIC LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

with an initial maturity of more than three months and are not part of the cash management pool are reported as investments.

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

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

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

G. Fixed Assets and Depreciation

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

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

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

H. Interfund Assets/Liabilities

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

**LEIPSIC LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

I. Compensated Absences

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

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

J. Accrued Liabilities and Long-term Obligations

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

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

K. Intergovernmental Revenues

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

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

Entitlements:

General Fund

State Foundation Program
State Property Tax Relief

Special Revenue Fund

School Bus Purchase Allowance

**LEIPSIC LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Non-Reimbursable Grants:

Special Revenue Funds

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

Capital Projects Fund

- SchoolNet Plus
- Interactive Video Distance Learning

Proprietary Funds

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

Grants and entitlements amounted to approximately forty-nine percent of the School District's operating revenue during the 2001 fiscal year.

L. Interfund Transactions

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

M. Fund Balance Reserves and Designations

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

The budget stabilization reserve of \$17,563, which represents the state required amount to be set aside at year end. The District has designated additional fund balances of \$81,073, \$60,334, and \$42,234 for capital and maintenance, instructional textbooks and supplies, and technology, respectively.

N. Contributed Capital

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

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

O. Restricted Assets

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

P. Estimates

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

Q. Total Columns on General-Purpose Financial Statements

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

**LEIPSIC LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

NOTE 3 - COMPLIANCE

On February 28, 2001, the District's deposits exceeded depository insurance and pledged collateral by \$503,566.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental and Similar Fiduciary Fund Types				
	General	Special Revenue	Capital Projects	Expendable Trust
Budget Basis	(\$291,833)	\$99,281	\$593,636	(\$43,515)
Adjustments:				
Revenue Accruals	(114,856)	26,001	(26,162)	544
Expenditure Accruals	151,380	20,919	(865)	(19,715)
Encumbrances	144,090	89,598	63,348	42,518
GAAP Basis	(\$111,219)	\$235,799	\$629,957	(\$20,168)

**LEIPSIC LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Net Loss - Excess of Expenses and Other Financing Uses Over Revenues and Other Financing Sources Proprietary Fund Type	
	<u>Enterprise</u>
Budget Basis	(\$40,277)
Adjustments:	
Revenue Accruals	(27,665)
Expenditure Accruals	(9,833)
Encumbrances	40,899
GAAP Basis	(\$36,876)

NOTE 5 – CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**LEIPSIC LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio);

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end the School District had \$1,760 held by the Putnam County Educational Service Center. This amount is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

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

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

Deposits - At fiscal year end, the carrying amount of the School District's deposits were \$2,364,525 and the bank balance was \$2,519,977. Of the bank balance, \$200,000 was covered by federal depository insurance and the remaining balance was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$2,366,904	
Cash in Segregated Accounts	(619)	
Cash and Cash Equivalents with Educational Service Center	(1,760)	
GASB Statement No. 3	\$2,364,525	

NOTE 6 - PROPERTY TAXES

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

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

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

The School District receives property taxes from Putnam County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property, and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$87,304 and has been credited to the General Fund.

The assessed values upon which the fiscal year 2001 taxes were collected are:

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

	2000 Second-half Collections		2001 First-half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$35,468,310	57.47%	\$35,894,090	57.29%
Industrial/Commercial	4,141,310	6.71	4,392,790	7.01
Public Utility	7,306,330	11.84	7,744,900	12.36
Tangible Personal Property	14,797,299	23.98	14,624,758	23.34
Total Assessed Value	\$61,713,249	100.00%	\$62,656,538	100.00%
Tax rate per \$1,000 of assessed valuation	\$35.63		\$35.63	

NOTE 7 - INCOME TAXES

The School District levies a voted one-half percent tax for general operations and one-quarter percent tax for permanent improvements on the income of residents and of estates. The one-half percent tax was effective on January 1, 1992, with the one-quarter percent effective January 1, 1997, both are a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and Capital Project Fund.

NOTE 8 - RECEIVABLES AND INTERFUND ASSETS/LIABILITIES

Receivables at June 30, 2001, consisted of taxes, accounts (student fees and billings for user charged services), intergovernmental grants and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

At June 30, 2001 the District had the following interfund receivables/payables and due to/from other funds:

Funds	Interfund Receivables	Interfund Payables
General Fund	\$68,324	
Public School Support Special Revenue Fund		\$324
Permanent Improvement Fund		30,000
Uniform School Supplies		38,000
	\$68,324	\$68,324

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets during fiscal year 2001 follows:

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

Machinery and Equipment	\$129,680
Less: Accumulated Depreciation	<u>(47,310)</u>
Net Fixed Assets	<u><u>\$82,370</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at 7/1/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land	\$153,984	\$12,364		\$166,348
Buildings	2,068,716	47,260		2,115,976
Furniture and Equipment	1,547,365	177,495	\$107,242	1,617,618
Vehicles	423,267			423,267
Totals	<u><u>\$4,193,332</u></u>	<u><u>\$237,119</u></u>	<u><u>\$107,242</u></u>	<u><u>\$4,323,209</u></u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted for the following insurance coverage:

Coverage provided by Indiana Insurance Company is as follows:

Buildings and Contents - replacement cost (\$500 deductible)	\$11,832,306
Inland Marine Coverage (\$250 deductible)	44,100
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Medical Payments - per person	5,000
General School District Liability	
Per Occurrence	1,000,000
Total Per Year	2,000,000
Umbrella Liability Insurance	5,000,000

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

For fiscal year 2001, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$322,881, \$320,204, and \$305,156, respectively; 85.7 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$46,185, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$73,834, \$67,370, and \$67,876, respectively; 48.56 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$37,978 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account group.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, two Board of education members had elected Social Security. The board's liability is 6.2 percent of wages paid.

NOTE 12 - POST EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$184,503 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 billion at June 30, 2000 (latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$50,487 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340, and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to fifteen days of vacation per year, depending upon length of service. The superintendent earns 20 days vacation per year while the treasurer earns 15 days per year. Only the superintendent and treasurer may carry vacation days over from one year to the next. The superintendent may carry over one half of his yearly allowance, while the treasurer may carry over five days. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 180 days for school personnel, except the superintendent and treasurer who may accumulate up to 260 days and the principals who may accumulate up to 222 days. Upon retirement, with ten years of service, payment is made for twenty-five percent of accrued but unused sick leave on a maximum of 160 days. Certified employees who retire within their first year of eligibility are paid fifty percent of accrued but unused sick leave on a maximum of 160 days. If the accrued but unused sick leave days exceed 180 days, then leave above 180 days will be converted to retirement pay at the rate of one day for each fifteen days of unused sick leave.

B. Personal Leave

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

C. Insurance

The District has elected to provide employee medical/surgical benefits at reduced or no costs to full-time employees and at prorated costs to part-time employees. In an attempt to stabilize health care costs the District belongs to the Putnam County School Insurance Group which works with Medical Mutual of Ohio for medical/surgical insurance coverage. The Putnam County Schools Insurance Group is a public entity shared risk pool consisting of nine local school districts, the Putnam County Board of MR/DD and the Putnam County Educational Service Center. The Putnam County Education Service Center serves as fiscal agent for the consortium and for this service receives \$1 per month per employee from the consortium member entities. The consortium plan provides a comprehensive medical/surgical health care plan with a \$200 single and \$400 family deductible. The consortium members send to Medical Mutual of Ohio a monthly payment representing 100 percent of the premium rate set by Medical Mutual of Ohio. As of June 30, 2001, the District paid \$253.69 per month for Comprehensive Major Medical (CMM) single coverage and \$219.59 per month for Preferred Provider Organization (PPO) single coverage and \$653.97 per month for CMM family coverage and \$566.65 per month for PPO family coverage. The premium is paid by the fund/function that pays the employee's salary. Dental coverage is provided to the District's employees through Medical Mutual of Ohio and the premium for family coverage was \$50.40 per month and the premium for single coverage was \$19.68 per month on June 30, 2001, with the employees paying \$3.00 per month.

Starting September 1, 1998, certificated employees of the School District participate in a self-insured prescription drug insurance benefit program run and maintained by the Leipsic Education Association (LEA). The program reimburses the employees for the cost of prescriptions in excess of the amount paid by the

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

employee's medical insurance less a \$5.00 co-payment. All claims are paid by the LEA with the request for reimbursement submitted by the employee on behalf of the LEA. This program is operated by the local teachers union. The School District's only obligation, by negotiated agreement, contributes \$2,100 per month to the program.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Principal Outstanding at 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding at 6/30/01</u>
EPA Asbestos Removal Note (No Interest; Matures 2013)	\$817,696		\$66,808	\$750,888
Compensated Absences	408,216	\$59,537		467,753
Intergovernmental Payables	27,889	30,375	27,889	30,375
Total General Long-Term Obligations	<u><u>\$1,253,801</u></u>	<u><u>\$89,912</u></u>	<u><u>\$94,697</u></u>	<u><u>\$1,249,016</u></u>

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

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

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

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>EPA Loan</u>
2002	\$66,808
2003	66,808
2004	66,808
2005	66,808
2006	66,808
2007-2011	334,040
2012-2013	82,808
Total	<u><u>\$750,888</u></u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and rotary services. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Rotary Services	Total Enterprise Funds
Operating Revenues	\$203,955	\$40,569		\$244,524
Operating Expenses less Depreciation	316,034	50,480	760	367,274
Depreciation Expense	13,373			13,373
Operating Loss	(125,452)	(9,911)	(760)	(136,123)
Donated Commodities	26,869			26,869
Operating Grants	72,593			72,593
Other Non-Operating Revenues (Expenditures)	(2,386)			(2,386)
Operating Transfers In			2,171	2,171
Net Income (Loss)	(28,376)	(9,911)	1,411	(36,876)
Property, Plant, and Equipment Additions	28,440			28,440
Total Assets	153,082	42,629		195,711
Long Term Liabilities	8,091			8,091
Net Working Capital	32,203	(6,002)		26,201
Total Equity	106,482	(6,002)		100,480
Encumbrances Outstanding at June 30, 2001		40,899		40,899

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. The School District paid NOACSC \$10,710 for services provided during the year. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

B. Millstream Career Cooperative

The Millstream Career Cooperative is a distinct political subdivision of the State of Ohio established under Section 3313.90. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Putnam and Hancock Counties Educational Service Centers serve in an ex-officio capacity for all meetings. The School District paid the Blanchard Valley Cooperative Vocational Career Center \$30,919 for services provided during the year. To obtain financial information write to the Findlay City School District, Pamela S. Barber, who serves as treasurer, at 227 South West Street, Findlay, Ohio 45840-3377.

NOTE 17 - INSURANCE POOLS

A. Putnam County Schools Insurance Group

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

B. NOACSC Workers' Compensation Group Rating Program

The School District participates in the Northwest Ohio Area Computer Cooperative Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District paid GRP \$1,270 for services provided during the year.

NOTE 18 - CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

NOTE 19 – STATE SCHOOL FUNDING DECISION

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

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

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

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

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

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

NOTE 20 – RESERVATION AND DESIGNATION OF FUND BALANCE

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	Instructional Materials	Capital and Maintenance	Budget Reserve	Totals
Balance as of June 30, 2000			\$65,825	\$65,825
Current Year Set-aside Requirement	\$113,180	\$113,180		226,360
Current Year Additional Deposits			369	369
Change in Statutory Requirements			(48,631)	(48,631)
Allowable Offsets		(113,180)		(113,180)
Qualifying Expenditures	(113,180)			(113,180)
Balance as of June 30, 2001	<u> </u>	<u> </u>	<u>\$17,563</u>	<u>17,563</u>
Total Restricted Assets				<u>\$17,563</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

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

In addition to the required reserves the Board of Education authorized the Treasurer to deposit additional amounts in the set aside accounts which resulted in an additional designation for textbooks and capital improvements as of June 30, 2001. The following table summarizes the additional deposits and related expenditures made during fiscal year 2001.

	<u>Instructional Materials</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Balance as of June 30, 2000	\$61,133	\$2,777	\$29,641	\$93,551
Additional amounts deposited during fiscal year 2001	\$79,900	\$164,469		\$244,369
Change in Statutory Requirements			(29,641)	(29,641)
Additional expenditures and encumbrances against designated amounts	(80,699)	(86,173)		(166,872)
Balance as of June 30, 2001	<u>\$60,334</u>	<u>\$81,073</u>		\$141,407
Money set aside for computers				42,234
Total Designated Assets				<u>\$183,641</u>

NOTE 21 - OUTSTANDING CONTRACTUAL COMMITMENTS

As of June 30, 2001, the District had one outstanding contractual commitment of \$52,560 for the purchase of a school bus.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the financial statements of Leipsic Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated February 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10269-001.

Internal Control Over Financial Reporting

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

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

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

Jim Petro
Auditor of State

February 14, 2002

LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2001

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

FINDING NUMBER 2001-10269-001

Noncompliance Citation

Ohio Revised Code §135.18 states the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

On February 28, 2001, the District's deposits exceeded depository insurance and pledged collateral by \$503,566. This could lead to loss of assets. We recommend the Treasurer monitor deposits and collateral and either request additional collateral when necessary or deposit a portion of the District's funds in another financial institution.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
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LEIPSIC LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2002**