



**Auditor of State  
Betty Montgomery**



**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Leipsic Local School District, Putnam County, (the District) as of and for the year ended June 30, 2003, 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 District as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2004 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.

The accompanying federal awards receipts and expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 22, 2004

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**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,149,315	\$ 398,431		\$ 1,179,369
Cash and Cash Equivalents:				
In Segregated Accounts			\$ 619	
Receivables:				
Taxes	1,937,533			46,783
Compensation for Property Tax Exemption		35,000		69,713
Accounts	1,393			
Intergovernmental	56	26,521		
Accrued Interest	1,036	328		160
Interfund Receivable	5,000			
Prepaid Items	33,658	98		
Inventory Held for Resale				
Materials and Supplies Inventory				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	17,563			
<b>Other Debits:</b>				
Amount to be Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$ 3,145,554</b>	<b>\$ 460,378</b>	<b>\$ 619</b>	<b>\$ 1,296,025</b>



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 53,006	\$ 220,141			\$ 3,000,262
				619
				1,984,316
				104,713
				1,393
				26,577
	2,946			4,470
				5,000
16,986				33,756
1,432				16,986
				1,432
44,798		\$ 4,365,716		4,410,514
				17,563
			\$ 1,219,294	1,219,294
<b>\$ 116,222</b>	<b>\$ 223,087</b>	<b>\$ 4,365,716</b>	<b>\$ 1,219,294</b>	<b>\$ 10,826,895</b>

(Continued)

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2003  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 47,326	\$ 20,527		\$ 10,920
Accrued Wages	379,907	18,881		
Compensated Absences Payable	62,438			
Interfund Payable		5,000		
Intergovernmental Payable	73,099	3,626		661
Deferred Revenue	1,742,340	60,000		78,587
Due to Students				
Notes Payable				
Deposits Held and Due to Others				
Matured Interest Payable			\$ 619	
	2,305,110	108,034	619	90,168
<b>Total Liabilities</b>				
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	5,964	65,134		21,541
Reserved for Property Taxes	119,377			
Reserved for Budget Stabilization	17,563			
Unreserved:				
Designated for Budget Stabilization	236,057			
Designated for Capital & Maintenance	88,327			
Designated for Textbooks & Supplies	168,283			
Designated for Technology	47,354			
Undesignated	157,519	287,210		1,184,316
	840,444	352,344		1,205,857
<b>Total Fund Equity and Other Credits</b>				
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 3,145,554</b>	<b>\$ 460,378</b>	<b>\$ 619</b>	<b>\$ 1,296,025</b>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 4,488	\$ 62			\$ 83,323
13,725				412,513
8,128			\$ 563,811	634,377
				5,000
3,489	20		38,211	119,106
9,233				1,890,160
	12,773			12,773
			617,272	617,272
	5,470			5,470
				619
<u>39,063</u>	<u>18,325</u>		<u>1,219,294</u>	<u>3,780,613</u>
		\$ 4,365,716		4,365,716
77,159				77,159
				92,639
				119,377
				17,563
				236,057
				88,327
				168,283
				47,354
	204,762			1,833,807
<u>77,159</u>	<u>204,762</u>	<u>4,365,716</u>		<u>7,046,282</u>
<u>\$ 116,222</u>	<u>\$ 223,087</u>	<u>\$ 4,365,716</u>	<u>\$ 1,219,294</u>	<u>\$ 10,826,895</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, 2003**

	<b>Governmental Fund Type</b>
	<b>General</b>
<b>Revenues:</b>	
Taxes	\$ 1,923,537
Intergovernmental	2,679,338
Interest	45,422
Tuition and Fees	46,190
Extracurricular Activities	
Gifts and Donations	
Compensation for Property Tax Exemption	
Miscellaneous	47,483
Total Revenues	4,741,970
<b>Expenditures:</b>	
Instruction:	
Regular	2,162,300
Special	587,477
Vocational	283,081
Other	19,680
Support Services:	
Pupils	122,062
Instructional Staff	173,522
Board of Education	10,750
Administration	470,361
Fiscal	177,759
Operation and Maintenance of Plant	396,445
Pupil Transportation	200,884
Central	
Operation of Non-Instructional Services	
Extracurricular Activities	131,513
Capital Outlay	
Debt Service:	
Principal Retirement	
Total Expenditures	4,735,834
Excess of Revenues Over/(Under) Expenditures	6,136
<b>Other Financing Sources/(Uses):</b>	
Proceeds from Sale of Fixed Assets	560
Other Financing Sources	3,720
Operating Transfers Out	(400)
Total Other Financing Sources/(Uses)	3,880
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	10,016
Fund Balance at Beginning of Year	830,428
<b>Fund Balances at End of Year</b>	<b>\$ 840,444</b>

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Special Revenue	Capital Projects	Expendable Trust	
	\$ 126,913		\$ 2,050,450
\$ 483,066	13,099		3,175,503
3,899	827	\$ 5,352	55,500
			46,190
150,684			150,684
		34,400	34,400
	176,452		176,452
6,535			54,018
<u>644,184</u>	<u>317,291</u>	<u>39,752</u>	<u>5,743,197</u>
110,081	4,611	29,352	2,306,344
113,573			701,050
3,421			286,502
			19,680
33,611			155,673
118,973		39,258	331,753
			10,750
4,602			474,963
1,221	2,088		181,068
			396,445
			200,884
681			681
133,322		5,000	138,322
140,137			271,650
	128,148		128,148
	66,808		66,808
<u>659,622</u>	<u>201,655</u>	<u>73,610</u>	<u>5,670,721</u>
<u>(15,438)</u>	<u>115,636</u>	<u>(33,858)</u>	<u>72,476</u>
			560
			3,720
			(400)
			3,880
(15,438)	115,636	(33,858)	76,356
<u>367,782</u>	<u>1,090,221</u>	<u>238,620</u>	<u>2,527,051</u>
<u>\$ 352,344</u>	<u>\$ 1,205,857</u>	<u>\$ 204,762</u>	<u>\$ 2,603,407</u>

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2003**

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Total Revenues	\$ 5,237,617	\$ 4,739,488	\$ (498,129)
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,150,979	2,139,298	11,681
Special	615,370	578,714	36,656
Vocational	307,518	286,397	21,121
Adult/Continuing			
Other	30,200	19,680	10,520
Support Services:			
Pupils	112,565	120,614	(8,049)
Instructional Staff	180,540	159,100	21,440
Board of Education	13,836	10,741	3,095
Administration	477,197	470,550	6,647
Fiscal	192,577	179,939	12,638
Operation and Maintenance of Plant	399,357	402,653	(3,296)
Pupil Transportation	199,940	203,427	(3,487)
Central			
Operation of Non-Instructional Services			
Extracurricular Activities	134,671	131,269	3,402
Capital Outlay			
Debt Service:			
Principal Retirement			
Total Expenditures	4,814,750	4,702,382	112,368
Excess of Revenues Over/(Under) Expenditures	422,867	37,106	(385,761)
<b>Other Financing Uses:</b>			
Advances In		131,201	131,201
Advances Out	(100,000)	(135,086)	(35,086)
Operating Transfers Out	(445,963)	(400)	445,563
Total Other Financing Uses	(545,963)	(4,285)	541,678
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	(123,096)	32,821	155,917
Fund Balance at Beginning of Year	930,197	930,197	
Prior Year Encumbrances Appropriated	192,425	192,425	
<b>Fund Balance at End of Year</b>	<b>\$ 999,526</b>	<b>\$ 1,155,443</b>	<b>\$ 155,917</b>

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 759,894	\$ 604,808	\$ (155,086)	\$ 151,965	\$ 151,965	
120,517	110,758	9,759	22,480	22,480	
85,401	63,094	22,307			
3,421	3,421				
2,305		2,305			
23,375	22,371	1,004			
123,699	96,793	26,906			
3,102	4,602	(1,500)			
2,144	1,221	923	2,396	2,161	\$ 235
1,500		1,500			
60,000	56,075	3,925			
1,000	681	319			
148,699	137,396	11,303			
145,910	141,610	4,300			
			135,796	126,514	9,282
			66,808	66,808	
721,073	638,022	83,051	227,480	217,963	9,517
38,821	(33,214)	(72,035)	(75,515)	(65,998)	9,517
(137,614)	135,086 (131,201)	135,086 6,413			
(137,614)	3,885	141,499			
(98,793)	(29,329)	69,464	(75,515)	(65,998)	9,517
304,003	304,003		1,192,772	1,192,772	
40,476	40,476		31,054	31,054	
<b>\$ 245,686</b>	<b>\$ 315,150</b>	<b>\$ 69,464</b>	<b>\$ 1,148,311</b>	<b>\$ 1,157,828</b>	<b>\$ 9,517</b>

(Continued)

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2003  
(Continued)**

	<u>Expendable Trust Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Total Revenues	\$ 39,653	\$ 39,653	
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	31,205	31,341	\$ (136)
Special			
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils			
Instructional Staff	102,093	102,171	(78)
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Operation of Non-Instructional Services	8,500	5,000	3,500
Extracurricular Activities			
Capital Outlay			
Debt Service:			
Principal Retirement			
Total Expenditures	<u>141,798</u>	<u>138,512</u>	<u>3,286</u>
Excess of Revenues Over/(Under) Expenditures	<u>(102,145)</u>	<u>(98,859)</u>	<u>3,286</u>
<b>Other Financing Sources (Uses):</b>			
Advances In			
Advances Out			
Operating Transfers Out			
Total Other Financing Uses			
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	<u>(102,145)</u>	<u>(98,859)</u>	<u>3,286</u>
Fund Balance/(Deficit) at Beginning of Year	172,900	172,900	
Prior Year Encumbrances Appropriated	<u>127,773</u>	<u>127,773</u>	
<b>Fund Balance/(Deficit) at End of Year</b>	<b><u>\$ 198,528</u></b>	<b><u>\$ 201,814</u></b>	<b><u>\$ 3,286</u></b>

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



<b>Totals (Memorandum Only)</b>		
<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$ 6,189,129	\$ 5,535,914	\$ (653,215)
2,325,181	2,303,877	21,304
700,771	641,808	58,963
310,939	289,818	21,121
2,305		2,305
30,200	19,680	10,520
135,940	142,985	(7,045)
406,332	358,064	48,268
13,836	10,741	3,095
480,299	475,152	5,147
197,117	183,321	13,796
400,857	402,653	(1,796)
259,940	259,502	438
1,000	681	319
157,199	142,396	14,803
280,581	272,879	7,702
135,796	126,514	9,282
66,808	66,808	
5,905,101	5,696,879	208,222
284,028	(160,965)	(444,993)
(237,614)	266,287	266,287
(445,963)	(266,287)	(28,673)
	(400)	445,563
(683,577)	(400)	683,177
(399,549)	(161,365)	238,184
2,599,872	2,599,872	
391,728	391,728	
<b>\$ 2,592,051</b>	<b>\$ 2,830,235</b>	<b>\$ 238,184</b>

**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, 2003**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Charges for Services	\$ 212,317
<b>Operating Expenses:</b>	
Salaries	90,759
Fringe Benefits	63,684
Purchased Services	46,101
Materials and Supplies	494
Cost of Sales	144,092
Depreciation	26,420
Total Operating Expenses	371,550
Operating Loss	(159,233)
<b>Non-Operating Revenues:</b>	
Federal Donated Commodities	42,296
Operating Grants	91,064
Interest	803
Total Non-Operating Revenues	134,163
Net Loss	(25,070)
Retained Earnings at Beginning of Year	102,229
<b>Retained Earning at End of Year</b>	<b>\$ 77,159</b>

*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 (Non-GAAP Basis)  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2003**

	<b>Enterprise Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Total Revenues	\$ 313,061	\$ 313,061	
<b>Expenses:</b>			
Salaries	100,969	98,284	\$ 2,685
Fringe Benefits	60,383	62,231	(1,848)
Purchased Services	2,750	33,117	(30,367)
Materials and Supplies	127,559	115,020	12,539
Capital Outlay	1,364	2,578	(1,214)
Total Expenses	293,025	311,230	(18,205)
Excess of Revenues Over Expenses	20,036	1,831	(18,205)
Fund Equity at Beginning of Year	48,958	48,958	
Prior Year Encumbrances Appropriated	1,923	1,923	
<b>Fund Equity at End of Year</b>	<b>\$ 70,917</b>	<b>\$ 52,712</b>	<b>\$ (18,205)</b>

*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, 2003**

	<b>Enterprise</b>
<b>Increase/(Decrease) in Cash and Cash Equivalents:</b>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 212,682
Cash Payments to Suppliers for Goods and Services	(148,515)
Cash Payments to Employees for Services	(98,284)
Cash Payments for Employee Benefits	(62,231)
Net Cash Used for Operating Activities	(96,348)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	99,576
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(1,906)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	803
Net Increase in Cash and Cash Equivalents	2,125
Cash and Cash Equivalents at Beginning of Year	50,881
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 53,006</b>
 <b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>	
Operating Loss	\$ (159,233)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	26,420
Donated Commodities Used During Year	42,296
Changes in Assets and Liabilities:	
Increase in Inventory Held for Resale	(2,314)
Increase in Materials and Supplies Inventory	(472)
Increase in Accounts Payable	339
Increase in Accrued Wages	566
Increase in Compensated Absences Payable	37
Decrease in Intergovernmental Payable	(6,618)
Increase in Deferred Revenue	2,631
Total Adjustments	62,885
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (96,348)</b>

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

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2003**

**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 571<sup>st</sup> largest in the State of Ohio (among 611 School Districts) in terms of enrollment. The School District is staffed by 26 classified employees, 52 certified full-time teaching personnel, and 4 administrative employees who provide services to 690 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 15 and 16 to the combined financial statements.

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**Notes to General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2003  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation - Fund Accounting**

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

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

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

GOVERNMENTAL FUND TYPES

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

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

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

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

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

**PROPRIETARY FUND TYPE**

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

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

**FIDUCIARY FUND TYPES**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. 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

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**Notes to General-Purpose Financial Statements  
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are included on the balance sheet. Fund equity (i.e., net total assets) is reported as retained earnings. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental 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 have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 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



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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.

**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, object level for the general and capital projects funds and fund level for all other funds. 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.

Recently enacted State legislation allows for the tax budget process to be waived by the Board of Education with an alternative document, approved by the County Auditor, prepared in its place.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

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(Continued)**

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, object level for the general and capital projects funds and fund level for all other funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund, object level for the general and capital projects funds and fund level for all other funds, 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 2003 investments were limited to STAR Ohio, certificates of deposit, money market deposit accounts, and savings 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.

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(Continued)**

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$45,422, which includes \$23,462 assigned from other School District funds.

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

Cash held for the School District by The Union Bank Company is included on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003 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 and purchased food 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.

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(Continued)**

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

**H. Interfund Assets/Liabilities**

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

**I. Compensated Absences**

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

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**Notes to General-Purpose Financial Statements  
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(Continued)**

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 \$400 in transfers from government funds to the agency funds.

**L. 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, budget stabilization, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

The budget stabilization reserve of \$17,563 represents the amount required by State statute to be set aside at year end. The District has designated additional fund balances of \$236,057, \$88,327, \$168,283, and \$47,354 for budget stabilization, capital and maintenance, instructional textbooks and supplies, and technology, respectively.

**M. 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 pertaining to proprietary funds has been classified as retained earnings.

**N. 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. On June 30, 2003 the school district had established a budget stabilization account amounting to \$253,620, however, only \$17,563 of this amount was required by state statute.

**O. 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.

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**Notes to General-Purpose Financial Statements  
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**P. 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 general accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY**

Fund balances/retained earnings at June 30, 2003 included the following individual fund deficits:

Fund Type and Fund	Deficit Balance
Special Revenue	
Management Information Systems	\$ 71
Title I Grant	3,897

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30, 2003.

**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/Expenses, and Changes in Fund Balances/Equity - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental, Proprietary and Similar Fiduciary Fund Types 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.

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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	\$ 32,821	\$ (29,329)	\$ (65,998)	\$ (98,859)
Adjustments:				
Revenue Accruals	(124,439)	(95,710)	165,326	99
Expenditure Accruals	89,715	26,180	(5,233)	64,902
Encumbrances	11,919	83,421	21,541	-
GAAP Basis	<u>\$ 10,016</u>	<u>\$ (15,438)</u>	<u>\$ 115,636</u>	<u>\$ (33,858)</u>

Net Loss - Excess of Expenses and Other Financing Uses  
Over Revenues and Other Financing Sources  
Proprietary Fund Type

	Enterprise
Budget Basis	\$ 1,831
Adjustments:	
Revenue Accruals	33,419
Expenditure Accruals	(60,614)
Encumbrances	294
GAAP Basis	<u>\$ (25,070)</u>

**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 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

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company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all money deposited with the institution.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the 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 \$619 held by The Union Bank 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 \$1,806,493 and the bank balance was \$1,934,570. Of the bank balance, \$253,212 was covered by federal depository insurance and \$1,681,358 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.



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Investments – Investments are required to be categorized into the following:

Category 1 includes investments that are insured or registered or for which the securities are held by the Leipsic Local School District.

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Leipsic Local School District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Leipsic Local School District's name.

STAR Ohio is an investment pool operated by the Ohio Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Fair Value</u>
STAR Ohio	<u>\$ 1,211,332</u>	<u>\$ 1,211,332</u>

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".

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,018,444	\$ -
Cash in Segregated Accounts	(619)	
STAR Ohio	(1,211,332)	1,211,332
GASB Statement No. 3	<u>\$ 1,806,493</u>	<u>\$ 1,211,332</u>

**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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**Notes to General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2003  
(Continued)**

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, 2003 are available to finance fiscal year 2003 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, 2003. 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, 2003, was \$119,377 and has been credited to the General Fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second-half Collections		2003 First-half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 36,210,920	60.09%	\$ 36,409,650	59.95%
Industrial/Commercial	4,408,630	7.32%	4,736,930	7.80%
Public Utility	5,897,900	9.79%	6,202,010	10.22%
Tangible Personal Property	<u>13,737,862</u>	<u>22.80%</u>	<u>13,381,763</u>	<u>22.03%</u>
Total Assessed Value	<u>\$ 60,255,312</u>	<u>100.00%</u>	<u>\$ 60,730,353</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	<u>\$ 35.63</u>		<u>\$ 35.77</u>	

**NOTE 7 - INCOME TAXES**

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

**NOTE 8 - RECEIVABLES AND INTERFUND ASSETS/LIABILITIES**

Receivables at June 30, 2003, consisted of taxes, compensation for property tax exemption, accounts (student fees and billings for user charged services), intergovernmental grants, accrued interest, and interfund receivables. 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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**Notes to General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2003  
(Continued)**

At June 30, 2003 the District had the following interfund receivable/payables and due to/from other funds:

	Interfund Receivables	Interfund Payables
General Fund	\$ 5,000	\$ -
Special Revenue Fund:		
Title I Fund	-	5,000
	\$ 5,000	\$ 5,000

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets during fiscal year 2003 follows:

Building and Equipment	\$ 130,821
Less: Accumulated Depreciation	(86,023)
Net Fixed Assets	\$ 44,798

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 7/1/2002	Additions	Deletions	Balance at 6/30/2003
Land	\$ 169,998	\$ -	\$ -	\$ 169,998
Buildings	2,074,214	8,080		2,082,294
Furniture and Equipment	1,639,673	113,024	101,874	1,650,823
Vehicles	462,601	-	-	462,601
Total Assets	\$ 4,346,486	\$ 121,104	\$ 101,874	\$ 4,365,716

**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 2003, the School District contracted for the following insurance coverage:

Coverage provided through the Ohio Schools Risk Sharing Authority (OSRSA) is as follows:

Property including Inland Marine - replacement cost (\$1,000 deductible)	\$13,452,394
Employee Dishonesty Liability	50,000
Automobile Liability	4,000,000
Uninsured Motorists	1,000,000
Medical Payments - per occurrence	1,000
General School District Liability:	
Per Occurrence	1,000,000
Total per Year	4,000,000
Umbrella Liability Insurance	6,000,000

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

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**Notes to General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2003  
(Continued)**

For fiscal year 2003, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). 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.

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 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.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. If an active Plan member should die before retirement, the eligible spouse and dependents may qualify for survivor benefits. Members in the DC Plan who

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**Notes to General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2003  
(Continued)**

become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations for fiscal year 2003. 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 District's required contribution for pension obligations to STRS for the fiscal years ending June 30, 2003, 2002, and 2001, were \$326,515, \$224,917, and \$219,098, respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003, in the amount of \$56,060, 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 an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 8.17 percent was the portion used to fund pension obligations for fiscal year 2003. For fiscal year 2002, 5.46 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contribution for pension obligations to SERS for the fiscal years ending June 30, 2003, 2002, and 2001 were \$46,933, \$30,252, and \$22,150, respectively; 50 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. The unpaid contribution for fiscal year 2003, in the amount of \$23,467, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

Effective July 1, 1991, all officials not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, 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,

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**Notes to General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2003  
(Continued)**

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.

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 2003, the Board allocated employer contributions equal to one percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$25,117 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.011 billion at June 30, 2002 (latest information available). For the year ended June 30, 2002, net health care costs paid by STRS were \$438,196,000 and STRS had 105,300 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 fiscal year 2003, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay has been established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$47,991 for fiscal year 2003.

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 percent of annual health care expenses. Expenses for health care at June 30, 2003, were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to fifteen days of vacation per year, depending upon length of service. The Superintendent earns 25 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 172 days for certified employees and 160 days for classified employees. If the accrued but unused sick

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**Notes to General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2003  
(Continued)**

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 an insurance purchasing pool consisting of nine local school districts, the Putnam County Board of MR/DD and the Putnam County Educational Service Center. The consortium plan provides a preferred provider organization medical/surgical health care plan with a \$100 single and \$200 family deductible for network doctors. 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, 2003, the District paid \$303.03 per month for Comprehensive Major Medical (CMM) single coverage and \$283.79 per month for Preferred Provider Option (PPO) single coverage and \$781.16 per month for CMM family coverage and \$731.95 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 \$60.92 per month and the premium for single coverage was \$23.79 per month on June 30, 2003, with the employees paying either \$5.00 or \$3.00 per month.

Starting September 1, 1998, certificated employees of the School District participate in a self-insured prescription drug insurance benefit program run and maintained by the Leipsic Education Association (LEA). The program reimburses the employees for the cost of prescriptions in excess of the amount paid by the employee's medical insurance less a 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, is to contribute \$1,600 per month to the program.

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**Notes to General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2003  
(Continued)**

	Principal Outstanding at 7/1/2002	Additions	Deductions	Principal Outstanding at 6/30/2003
EPA Asbestos Removal Note (0%)	\$ 684,080	\$ -	\$ 66,808	\$ 617,272
Compensated Absences	464,797	99,014		563,811
Intergovernmental Payables	32,363	38,211	32,363	38,211
Total General Long-Term Obligations	<u>\$ 1,181,240</u>	<u>\$ 137,225</u>	<u>\$ 99,171</u>	<u>\$ 1,219,294</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 accrued vacation and sick leave benefits recorded above represent the non current portion of the liability. 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, 2002 are as follows:

Fiscal Year Ending June 30:	EPA Loan
2004	\$ 66,808
2005	66,808
2006	66,808
2007	66,808
2008	66,808
2008-2013	283,232
Total	<u>\$ 617,272</u>

**NOTE 15 - 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 \$6,872 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  
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**Notes to General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2003  
(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 \$11,400 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 16 - INSURANCE POOLS**

**A. Putnam County Schools Insurance Group**

The Putnam County Schools Insurance Group is an insurance purchasing pool among nine local school districts, the Putnam County Board of MR/DD, and the Putnam County Educational Service Center. 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. Financial information can be obtained from Michael Siebeneck, who serves as treasurer, at PO Box 190, Ottawa, Ohio 45875.

**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 \$1,339 for services provided during the year.

**NOTE 17 - 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, 2003.

**NOTE 18 - STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**Notes to General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2003  
(Continued)**

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**NOTE 19 - 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 2003, only the unspent portion of prior year bureau of workers compensation refunds is shown as a reserve at year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2003.

	Instructional Materials	Capital and Maintenance	Budget Reserve
Cash balance at June 30, 2002	\$ -	\$ -	\$ 17,563
Current Year Set-aside Requirement	94,012	94,012	-
Current Year Offsets		(94,012)	-
Qualifying Disbursements	(94,012)	-	-
Cash balance at June 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,563</u>
Total Restricted Assets			<u>\$ 17,563</u>

Amounts of qualifying expenditures presented in the tables were limited to those necessary to reduce the year end 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, 2003. The following table summarizes the additional deposits and related expenditures made during fiscal year 2003.

	Budget Stabilization	Instructional Materials	Capital and Maintenance	Total
Balance at June 30, 2002	\$ 232,437	\$ 53,386	\$ 86,463	\$ 372,286
Additional Deposits FY2003	3,620	118,133	6,092	127,845
Expenditures and Encumbrances				
Against Designated Amounts	-	(3,236)	(4,228)	(7,464)
Balance at June 30, 2003	<u>\$ 236,057</u>	<u>\$ 168,283</u>	<u>\$ 88,327</u>	492,667
Monies set-aside for computers				47,354
Total Designated Assets				<u>\$ 540,021</u>

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to General-Purpose Financial Statements  
For The Fiscal Year Ended June 30, 2003  
(Continued)**

**NOTE 20 - OUTSTANDING CONTRACTUAL COMMITMENTS**

As of June 30, 2003, the District had one outstanding commitment of \$54,290 for the purchase of a school bus.

**NOTE 21 - SUBSEQUENT EVENTS**

On December 18, 2003, the District issued notes in the amount of \$4,800,000 with a maturity date of June 15, 2004, to help finance a school construction and renovation project through the Ohio School Facilities Commission Expedited Local Partnership Program. The notes are intended to be repaid with a bond issue, which will then be repaid from the proceeds of a 4.97 mill tax levy approved by the voters of the District in November 2003.

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**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2003**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Donation Program	-	10.550
National School Lunch Program	49353-LL-P4-03	10.555
Total Department of Agriculture - Nutrition Cluster		
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	49353-C1S1-02 49353-C1S1-03	84.010 84.010
Total Title I Grants to Local Education Agencies		
Migrant Education - State Grant Program	49353-MGS1-03	84.011
Safe and Drug-Free Schools and Communities - State Grant	49353-DRS1-03	84.186
Goals 2000 - State and Local Education Systematic Improvement	49353-G2S2-99	84.276
Innovative Education Program Strategies	49353-C2S1-02 49353-C2S1-03	84.298 84.298
Total Innovative Education Program Strategies		
Technology Literacy Challenge Fund Grant	49353-TJS1-03	84.318
Advanced Placement Program	49353-AVS1-03	84.330
Comprehensive School Reform Demonstration	49353-RFS1-01 49353-RFS2-03	84.332 84.332
Total Comprehensive School Reform Demonstration		
Improving Teacher Quality - State Grant	49353-TRS1-03	84.367
Total Department of Education		
<b>Totals</b>		

*The accompanying notes are an integral part of this schedule.*

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$ 44,562		\$ 44,562
<u>\$ 95,440</u>		<u>\$ 95,440</u>	
<u>95,440</u>	<u>44,562</u>	<u>95,440</u>	<u>44,562</u>
1,858		2,105	
<u>90,407</u>		<u>80,947</u>	
92,265		83,052	
12,200		12,200	
4,966		4,966	
		7,601	
		4,723	
<u>4,862</u>		<u>4,294</u>	
4,862		9,017	
2,475		1,688	
150		150	
		29,811	
<u>37,500</u>		<u>36,919</u>	
37,500		66,730	
<u>34,560</u>		<u>34,560</u>	
<u>188,978</u>		<u>219,964</u>	
<u><b>\$ 284,418</b></u>	<u><b>\$ 44,562</b></u>	<u><b>\$ 315,404</b></u>	<u><b>\$ 44,562</b></u>

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C - CHILD NUTRITION CLUSTER**

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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





## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT 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 the Leipsic Local School District, Putnam County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 22, 2004.

#### **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 January 22, 2004.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
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Leipsic Local School District  
Putnam County  
Independent Accountants' Report on Compliance and on Internal  
Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 22, 2004



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

#### Compliance

We have audited the compliance of the Leipsic Local School District, Putnam County (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

#### Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 22, 2004

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Schedule of Findings  
OMB Circular A -133 § .505  
June 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §.510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster: Food Donation Program - CFDA #10.550 National School Lunch Program – CFDA #10.555 Title I – Grants to Local Education Agencies – CFDA # 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$300,000 Type B: All Others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Schedule of Prior Audit Findings  
OMB Circular A -133 § .315 (b)  
June 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2002-001	<b>ORC § 5705.41(B)</b> expenditures exceeded appropriations	No	Improvement was made reducing this to a management letter comment.



**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140  
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800-282-0370  
Facsimile 614-466-4490

**LEIPSIC LOCAL SCHOOL DISTRICT**

**PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2004**