



**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, net assets/fund balances, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, as of June 30, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

As described in note 3 to the financial statements the District changed its method of accounting during fiscal year 2004.

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 13, 2006

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

This discussion and analysis of the Leipsic Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2004, within the limitations of the District's Other Comprehensive Basis of Accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key highlights for 2004 are as follows:

- Net assets of governmental activities increased \$5,194,177, or 186.50 percent, from the prior year. Most of this increase was due to the issuing of \$4.8 million in facility construction bonds.
- Net assets of business type activities decreased \$2,900, or 5.47 percent, from the prior year.
- The District's governmental general receipts were \$15,372,359 or 95.82 percent of all revenue. Those being primarily property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services, operating and capital grants and contributions accounted for \$670,239 or 4.18 percent of total revenues of \$16,042,598. The major source of revenue for fiscal year 2004 was \$4.8 million bond anticipation notes issued for facilities construction and \$4.8 million in general obligation bonds issued to retire the notes.
- The District's business type general receipts were \$824 or .27 percent of all revenue. Those being interest receipts. Program specific revenues in the form of charges for services and operating grants accounted for \$305,252 or 99.73 percent of total revenues of \$306,076.
- The District had \$10,848,421 in expense related to governmental activities: only \$670,239 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements, and debt issuances) of \$15,372,359 were adequate to provide for these programs.
- The District had \$308,976 in expense related to business type activities: only \$305,252 of these expenses were offset by program specific charges for services and operating grants. General revenue supporting business type activities (interest) of \$824 was not adequate to provide for these programs.
- The District's major governmental funds were the general, debt service, permanent improvement and facility construction funds. The major funds had \$5,440,765, \$4,936,903, \$368,367, and \$5,334,121, respectively, in revenues and other financing sources, and \$5,330,288, \$4,853,769, \$621,779, and \$102,907, respectively, in expenditures and other financing uses. During fiscal year 2004, the major funds' balances increase or (decreased) \$110,477, \$83,134, (\$253,412), and \$5,231,214, respectively.
- The District's business type food service fund had \$306,076 in revenue and \$308,976 in expenses. During fiscal year 2004 the food service fund balance decreased \$2,900 from \$53,008 to \$50,108.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Using this Annual Report

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004, within the limitations of the other comprehensive basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

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

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

Reporting the District's Most Significant Funds

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

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

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2004 compared to fiscal year 2003 on another comprehensive basis of accounting.

	Net Assets					
	Governmental Activities 2004	Governmental Activities 2003	Business Type Activities 2004	Business Type Activities 2003	Total Activities 2004	Total Activities 2003
Assets:						
Cash and Cash Equivalents	\$7,979,792	\$2,785,615	\$50,108	\$53,008	\$8,029,900	\$2,838,623
Net Assets:						
Restricted	7,222,030	1,612,752			7,222,030	1,612,752
Unrestricted	<u>757,762</u>	<u>1,172,858</u>	<u>50,108</u>	<u>53,008</u>	<u>807,870</u>	<u>1,225,866</u>
Total Net Assets	<u>\$7,979,792</u>	<u>\$2,785,610</u>	<u>\$50,108</u>	<u>\$53,008</u>	<u>\$8,029,900</u>	<u>\$2,838,623</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At year-end, net assets were \$7,979,792 for governmental activities and \$50,108 for business type activities.

A portion of the District's governmental net assets, \$7,222,030, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$757,762 may be used to meet the District's ongoing obligations to the students and creditors. The entire business type net assets total is unrestricted.

Table 2 reflects the changes in net assets in 2004. Net assets for 2003 are not presented as this is the districts first year reporting under the Other Comprehensive Basis of Accounting that utilizes a GASB 34 cash basis financial statement resemblance presentation.

	<u>Governmental Activities 2004</u>	<u>Business Type Activities 2004</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$112,234	\$202,344
Operating Grants and Contributions	497,208	102,908
Capital Grants and Contributions	<u>60,797</u>	
Total Program Receipts	<u>670,239</u>	<u>\$305,252</u>
General Receipts:		
Property Taxes Levied for General Purposes	\$2,114,595	
Property Taxes Levied for Debt Service	124,525	
School District Income Taxes for General Purposes	243,783	
School District Income Taxes for Capital Projects	121,892	
Payment in Lieu of Taxes	281,315	

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Grants and Entitlements Not Restricted		
to Specific Programs	2,665,429	
Bond Proceeds	4,800,000	
Premium on Bond Issuance	12,378	
Note Proceeds	4,800,000	
Donations	62,300	
Proceeds from Sale of Capital Asset	1,570	
Transfers	(400)	
Advances	(600)	
Interest	86,829	824
Miscellaneous	58,743	
Total General Receipts	<u>\$15,372,359</u>	<u>824</u>
Total Receipts	<u>\$16,042,598</u>	<u>\$306,076</u>
Disbursements:		
Instruction:		
Regular	\$2,398,064	
Special	826,708	
Vocational	297,475	
Support Services:		
Pupil	145,798	
Instructional Staff	232,791	
Board of Education	9,186	
Administration	502,139	
Fiscal	224,001	
Operation and Maintenance of Plant	414,864	
Pupil Transportation	266,555	
Central	649	
Operation of non-instructional services	137,033	
Food Services		\$308,976
Extracurricular Activities	261,749	
Capital Outlay	190,523	
Debt Service:		
Principal	4,866,808	
Interest and Fiscal Charges	74,078	
Total Disbursements	<u>10,848,421</u>	<u>308,976</u>
Increase/(Decrease) in Net Assets	5,194,177	(2,900)
Net Assets, July 1	<u>2,785,615</u>	<u>53,008</u>
Net Assets, June 30	<u>\$7,979,792</u>	<u>\$50,108</u>

Net assets of the District's governmental activities increased \$5,194,177. Total governmental expenses of \$10,848,421 were offset by program revenues of \$670,239 and general revenues of \$15,372,359. Program revenues supported 6.18 percent of the total governmental expenses.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

The primary sources of revenue for the governmental activities are derived from property taxes, income taxes, grant and entitlements and debt proceeds. Tax and grant sources represent 34.60 percent of total governmental revenue. Real estate property is reappraised every six years. Debt proceeds represent 59.91 percent of total governmental revenue.

Net assets of the District's business type activities decreased \$2,900. Total business type expenses of \$308,976 were offset by program revenues of \$305,252 and general revenues of \$824. Program revenues supported 98.79 percent of the total business type expenses.

Governmental and Business Type Activities

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

	Table 3		Business Type Activities	
	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities
	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2004	Net Cost of Services 2004
	<hr/>	<hr/>	<hr/>	<hr/>
Current:				
Instruction:				
Regular	\$2,398,064	\$2,296,440		
Special	826,708	731,842		
Vocational	297,475	246,692		
Other				
Support Services:				
Pupil	145,798	124,598		
Instructional Staff	232,791	123,641		
Board of Education	9,186	9,186		
Administration	502,139	502,139		
Fiscal	224,001	219,126		
Operation and Maintenance of Plant	414,864	414,864		
Pupil Transportation	266,555	251,146		
Central	649	649		
Operation of non-instructional services	137,033	(4,442)		
Operation of Food Services			308,976	3,724
Extracurricular Activities	261,749	176,289		
Capital Outlay	190,523	145,126		
Debt Service				
Principal	4,866,808	4,866,808		
Interest and Fiscal Charges	74,078	74,078		
Total Disbursements	<hr/> <u>\$10,848,421</u>	<hr/> <u>10,178,182</u>	<hr/> <u>\$308,976</u>	<hr/> <u>\$3,724</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

The dependence upon tax receipts and unrestricted state entitlements is apparent, 92.98 percent of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 93.82 percent. The District's taxpayers, as a whole, are by far the primary support for District students.

The Government's Funds

The District's funds are accounted for using the other comprehensive basis of accounting. Total combined fund balance of \$8,029,900, which is higher than last year's total of \$2,838,623. The schedule below indicates that fund balance and the total change in fund balance as of June 30, 2004 and 2003.

Table 4

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)
General	\$1,281,890	\$1,171,413	\$110,477
Debt Service	83,134		83,134
Permanent Improvement	925,960	1,179,372	(253,412)
Facility Construction	5,231,214		5,231,214
Other Governmental	457,594	434,830	22,764
Food Service	50,108	53,008	(2,900)
Total Fund Balance	<u>\$8,029,900</u>	<u>\$2,838,623</u>	<u>\$5,191,277</u>

General Fund

The District's general fund's balance increased by \$110,477.

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

Table 5

Revenues	
Taxes	\$2,358,378
Intergovernmental	2,707,393
Interest	50,487
Tuition and Fees	26,774
Miscellaneous	33,113
Total Revenue	<u>\$5,176,145</u>
Expenditures	
Instruction	\$3,310,174
Support Services	1,548,250
Extracurricular activities	137,537
Total Expenditures	<u>\$4,995,961</u>
Other Sources (Uses)	
Advances In/(Out) – Net	(\$39,134)
Transfers Out	(32,440)
Other	1,867
Total	<u>(\$69,707)</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

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

During fiscal year 2004, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts and other financing sources in the amount of \$6,040,412 was also the amount of the original budgeted receipts. Actual revenues and other financing sources for fiscal year 2004 was \$5,440,765. This represents a \$599,647 decrease from final budgeted revenues.

General Fund final budgeted appropriations (appropriated expenditures plus other financing uses) of \$5,713,805 was also the amount of the original budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$5,350,716 which was \$363,089 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At June 30, 2004, the District had \$550,464 outstanding on an interest free United States EPA Asbestos Abatement Loan. Of this total, \$66,808 is due within one year and \$483,656 is due within more than one year. In addition, the District issued \$4,800,000 in facility construction bonds in 2004. All \$4,800,000 was outstanding as of June 30, 2004. The following table summarizes the debt outstanding.

	<u>Balance June 30, 2004</u>	<u>Balance June 30, 2003</u>	<u>Increase/ (Decrease)</u>
EPA Asbestos Loan	\$550,464	\$617,272	(\$66,808)
Facility Construction Bonds	4,800,000		4,800,000

During 2004, short-term facility construction notes totaling \$4,800,000 were issued and redeemed.

Current Issues

The challenge for all districts is to provide quality educational services to the public while staying within the restrictions imposed by limited funding, and in some cases shrinking funding. The District relies heavily on unrestricted state entitlements and local taxes. The District's five year forecast predicts no significant deficits in the near future. The District is involved in a facility construction project through the Ohio School Facility Commission (OSFC).

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Contacting the District's Financial Management

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

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Net Assets - Modified Cash Basis
June 30, 2004**

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$7,979,792</u>	<u>\$50,108</u>	<u>\$8,029,900</u>
Net Assets			
Restricted for:			
Capital Projects	\$6,172,971		\$6,172,971
Debt Service	83,134		83,134
Set Asides	524,128		524,128
Other Purposes	441,797		441,797
Unrestricted	<u>757,762</u>	<u>\$50,108</u>	<u>807,870</u>
<i>Total Net Assets</i>	<u>\$7,979,792</u>	<u>\$50,108</u>	<u>\$8,029,900</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2004**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current:							
Instruction:							
Regular	\$2,398,064	\$26,774	\$59,450	\$15,400	(\$2,296,440)		(\$2,296,440)
Special	826,708		94,866		(731,842)		(731,842)
Vocational	297,475		50,783		(246,692)		(246,692)
Support Services:							
Pupil	145,798		21,200		(124,598)		(124,598)
Instructional Staff	232,791		109,150		(123,641)		(123,641)
Board of Education	9,186				(9,186)		(9,186)
Administration	502,139				(502,139)		(502,139)
Fiscal	224,001		4,875		(219,126)		(219,126)
Operation and Maintenance of Plant	414,864				(414,864)		(414,864)
Pupil Transportation	266,555		15,409		(251,146)		(251,146)
Central	649				(649)		(649)
Operation of Non-Instructional Services	137,033		141,475		4,442		4,442
Extracurricular Activities	261,749	85,460			(176,289)		(176,289)
Capital Outlay	190,523			45,397	(145,126)		(145,126)
Debt Repayment:							
Principal	4,866,808				(4,866,808)		(4,866,808)
Interest and Fiscal Charges	74,078				(74,078)		(74,078)
Total Governmental Activities	10,848,421	112,234	497,208	60,797	(10,178,182)		(10,178,182)
Business-Type Activity							
Food Service	308,976	202,344	102,908			(3,724)	(3,724)
Total	\$11,157,397	\$314,578	\$600,116	\$60,797	(10,178,182)	(3,724)	(10,181,906)
General Receipts							
Property Taxes Levied for:							
General Purposes					2,114,595		2,114,595
Debt Service					124,525		124,525
Income Taxes Levied for:							
General Purposes					243,783		243,783
Capital Projects					121,892		121,892
Grants and Entitlements not Restricted to Specific Programs					2,665,429		2,665,429
Bond Proceeds					4,800,000		4,800,000
Premium on Bond Issuance					12,378		12,378
Note Proceeds					4,800,000		4,800,000
Payments in Lieu of Taxes					281,315		281,315
Proceeds from Sale of Capital Asset					1,570		1,570
Transfers					(400)		(400)
Advances					(600)		(600)
Interest					86,829	824	87,653
Donations					62,300		62,300
Miscellaneous					58,743		58,743
Total General Receipts					15,372,359	824	15,373,183
Change in Net Assets					5,194,177	(2,900)	5,191,277
<i>Net Assets Beginning of Year</i>					<u>2,785,615</u>	<u>53,008</u>	<u>2,838,623</u>
<i>Net Assets End of Year</i>					<u>\$7,979,792</u>	<u>\$50,108</u>	<u>\$8,029,900</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Facility Construction</u>	<u>Other Governmental Funds</u>	<u>Total Government Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,264,327	\$83,134	\$925,960	\$5,231,214	\$457,594	\$7,962,229
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	17,563					17,563
Total Assets	<u>\$1,281,890</u>	<u>\$83,134</u>	<u>\$925,960</u>	<u>\$5,231,214</u>	<u>\$457,594</u>	<u>\$7,979,792</u>
Fund Balances						
Reserved for:						
Encumbrances	\$20,428		\$18,145	\$435,408	\$23,562	\$497,543
Unclaimed Monies	4,554					4,554
Budget Stabilization	17,563					17,563
Unreserved:						
Designated:						
Instructional Materials	174,813					174,813
Capital Maintenance	89,315					89,315
Budget Stabilization	242,437					242,437
Undesignated, Reported in						
General Fund	732,780					732,780
Special Revenue Funds					354,572	354,572
Debt Service Fund		\$83,134				83,134
Capital Projects Funds			907,815	4,795,806	15,797	5,719,418
Permanent Funds					63,663	63,663
Total Fund Balances	<u>\$1,281,890</u>	<u>\$83,134</u>	<u>\$925,960</u>	<u>\$5,231,214</u>	<u>\$457,594</u>	<u>\$7,979,792</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in
Fund Balances - Modified Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	General	Debt Service	Permanent Improvement	Facility Construction	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$2,114,595	\$124,525				\$2,239,120
Income Taxes	243,783		\$121,892			365,675
Payment in Lieu of Taxes			246,315		\$35,000	281,315
Intergovernmental	2,707,393				516,041	3,223,434
Interest	50,487		160	\$34,121	2,061	86,829
Tuition and Fees	26,774					26,774
Extracurricular Activities					85,460	85,460
Donations					62,300	62,300
Miscellaneous	33,113				25,333	58,446
<i>Total Receipts</i>	<u>5,176,145</u>	<u>124,525</u>	<u>368,367</u>	<u>34,121</u>	<u>726,195</u>	<u>6,429,353</u>
Disbursements						
Current:						
Instruction:						
Regular	2,298,348				99,716	2,398,064
Special	714,351				112,357	826,708
Vocational	297,475					297,475
Support Services:						
Pupil	124,573				21,225	145,798
Instructional Staff	70,841				161,950	232,791
Board of Education	9,186					9,186
Administration	502,139					502,139
Fiscal	216,167	3,029	2,014		2,791	224,001
Operation and Maintenance of Plant	414,864					414,864
Pupil Transportation	210,480				56,075	266,555
Central					649	649
Operation of Non-Instructional Services						
Extracurricular Activities	137,537				137,033	137,033
Capital Outlay					124,212	261,749
Debt Service:						
Principal Retirement		4,800,000	66,808			4,866,808
Interest and Fiscal Charges		50,740		23,338		74,078
<i>Total Disbursements</i>	<u>4,995,961</u>	<u>4,853,769</u>	<u>121,779</u>	<u>102,907</u>	<u>774,005</u>	<u>10,848,421</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>180,184</u>	<u>(4,729,244)</u>	<u>246,588</u>	<u>(68,786)</u>	<u>(47,810)</u>	<u>(4,419,068)</u>
Other Financing Sources (Uses)						
Sale of Fixed Assets	1,570					1,570
Construction Bonds Issued		4,800,000				4,800,000
Construction Notes Issued				4,800,000		4,800,000
Premium on Debt Issuance		12,378				12,378
Refund of Prior Year Expenditures	297					297
Advance In	262,753				301,048	563,801
Advance Out	(301,887)				(262,514)	(564,401)
Transfers In				500,000	32,040	532,040
Transfers Out	(32,440)		(500,000)			(532,440)
<i>Total Other Financing Sources (Uses)</i>	<u>(69,707)</u>	<u>4,812,378</u>	<u>(500,000)</u>	<u>5,300,000</u>	<u>70,574</u>	<u>9,613,245</u>
<i>Net Change in Fund Balances</i>	<u>110,477</u>	<u>83,134</u>	<u>(253,412)</u>	<u>5,231,214</u>	<u>22,764</u>	<u>5,194,177</u>
<i>Fund Balances Beginning of Year</i>	<u>1,171,413</u>		<u>1,179,372</u>		<u>434,830</u>	<u>2,785,615</u>
<i>Fund Balances End of Year</i>	<u>\$1,281,890</u>	<u>\$83,134</u>	<u>\$925,960</u>	<u>\$5,231,214</u>	<u>\$457,594</u>	<u>\$7,979,792</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual Comparison -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$2,228,287	\$2,283,308	\$2,114,595	(\$168,713)
Income Taxes	273,659	243,659	243,783	124
Intergovernmental	2,789,397	2,764,376	2,707,393	(56,983)
Interest	48,000	48,000	50,487	2,487
Tuition and Fees	30,000	30,000	26,774	(3,226)
Miscellaneous	65,125	65,125	33,113	(32,012)
<i>Total receipts</i>	<u>5,434,468</u>	<u>5,434,468</u>	<u>5,176,145</u>	<u>(258,323)</u>
Disbursements				
Current:				
Instruction:				
Regular	2,328,526	2,246,297	2,308,067	(61,770)
Special	633,993	720,622	714,351	6,271
Vocational	286,972	286,200	297,475	(11,275)
Support Services:				
Pupil	124,092	125,182	125,256	(74)
Instructional Staff	146,954	146,154	70,841	75,313
Board of Education	17,998	17,998	9,186	8,812
Administration	521,449	518,031	502,139	15,892
Fiscal	236,497	235,997	216,167	19,830
Operation and Maintenance of Plant	434,374	434,374	418,238	16,136
Pupil Transportation	232,072	232,072	217,132	14,940
Extracurricular Activities	141,816	141,816	137,537	4,279
<i>Total Disbursements</i>	<u>5,104,743</u>	<u>5,104,743</u>	<u>5,016,389</u>	<u>88,354</u>
<i>Excess of Receipts Over Disbursements</i>	<u>329,725</u>	<u>329,725</u>	<u>159,756</u>	<u>(169,969)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets			1,570	1,570
Refund of Prior Year Expenditures			297	297
Advances In	321,933	321,933	262,753	(59,180)
Advances Out	(321,933)	(321,933)	(301,887)	20,046
Transfers In	284,011	284,011		(284,011)
Transfers Out	(287,129)	(287,129)	(32,440)	254,689
<i>Total Other Financing Sources (Uses)</i>	<u>(3,118)</u>	<u>(3,118)</u>	<u>(69,707)</u>	<u>(66,589)</u>
<i>Net Change in Fund Balance</i>	326,607	326,607	90,049	(236,558)
<i>Fund Balance Beginning of Year</i>	1,159,494	1,159,494	1,159,494	
Prior Year Encumbrances Appropriated	11,919	11,919	11,919	
<i>Fund Balance End of Year</i>	<u>\$1,498,020</u>	<u>\$1,498,020</u>	<u>\$1,261,462</u>	<u>(\$236,558)</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Fund Net Assets - Modified Cash Basis
Proprietary Fund
June 30, 2004**

	<u>Food Service Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$50,108</u></u>
Net Assets	
Unrestricted	<u>50,108</u>
<i>Total Net Assets</i>	<u><u>\$50,108</u></u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in
Fund Net Assets - Modified Cash Basis - Proprietary Fund
For the Fiscal Year Ended June 30, 2004**

	Food Service Fund
Operating Receipts	
Charges for Services	\$202,344
Operating Disbursements	
Personal Services	167,975
Materials and Supplies	124,766
Contract Services	14,485
<i>Total Operating Disbursements</i>	<i>307,226</i>
<i>Operating Loss</i>	<i>(104,882)</i>
Non-Operating Receipts/(Disbursements)	
Interest	824
Intergovernmental Revenue	102,908
Capital Outlay	(1,750)
<i>Total Non-Operating Receipts/(Disbursements)</i>	<i>101,982</i>
<i>Changes in Net Assets</i>	<i>(2,900)</i>
Net Assets - Beginning of Year	53,008
<i>Net Assets - End of Year</i>	<i>\$ 50,108</i>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$162,900	\$15,766
Net Assets		
Held for Student Activities		14,681
Held in Trust for Scholarships	162,900	
Unrestricted		1,085
Total Net Assets	\$162,900	15,766

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004**

	<u>Private Purpose Trust</u>
Additions	
Interest	<u>\$ 2,560</u>
Deductions	
Scholarship Payments	<u>6,000</u>
<i>Change in Net Assets</i>	(3,440)
<i>Net Assets Beginning of Year</i>	<u>166,340</u>
<i>Net Assets End of Year</i>	<u><u>\$ 162,900</u></u>

See accompanying notes to the basic financial statements

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**LEIPSIC GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District was established prior to 1912. The District serves an area approximately 54 square miles. It is located in Putnam County and includes the Villages of Belmore, Leipsic, and West Leipsic also portions of Blanchard, Ottawa, Liberty, Palmer and Van Buren Townships. The District is the 569th largest in the State of Ohio (among 611 school districts) in terms of enrollment. The District is staffed by 26 classified employees, 49 certified full-time teaching personnel, and 4 administrative employees who provide services to 658 students and other community members. The District currently operates one elementary, middle and high school.

Reporting Entity

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

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

The District's reporting entity includes the following:

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

The District participates in 2 jointly governed organizations and 3 public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 9 and 16 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Millstream Career Cooperative

Public Entity Risk Pool:

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major funds are the General, Debt Service, Permanent Improvement and Facilities Construction Funds.

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

Debt Service Fund The debt service fund accounts for resources received from property taxes to pay school improvement general obligation bond principal, interest and related costs.

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

Facility Construction Fund This capital project fund accounts for financial resources used in the District's building project through the Ohio Schools Facility Commission (OSFC).

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Basis of Accounting

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

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

D. Cash, Cash Equivalents and Investments

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

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

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

During 2004, the District invested in STAR Ohio, government securities, certificates of deposit, money market deposit accounts and savings accounts.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited during fiscal year 2004 was as follows: General Fund \$50,487, Permanent Improvement Fund \$160, Facility Construction Fund \$34,121, Trust Funds \$2,560, Food Service Fund \$824 and Other Governmental Funds \$2,061.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Restricted Assets

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for budget stabilization. On June 30, 2004, the District had established a budget stabilization account amounting to \$260,000, however, only \$17,563 of this amount was required by state statute.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Compensated Absences

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

I. Long-term Obligations

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

J. Fund Balance Reserves and Designations

The District reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement. The District has fund balance reserves for encumbrances, unclaimed monies and budget stabilization. The budget stabilization reserve of \$17,563 represents the amount required by State statute to be set aside at year end. The District also has designated additional fund balances of \$242,437, \$174,813 and \$89,315 for budget stabilization, instructional materials, and capital maintenance, respectively.

K. Net Assets

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

L. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when made or repaid. Note 8 lists unpaid advances.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the Board of Education's control that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during fiscal 2004.

N. Budgetary Process

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

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

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

NOTE 3 – ACCOUNTING CHANGE, RESTATEMENT OF FUND EQUITY AND COMPLIANCE

Change in Basis of Accounting

For 2004, the District changed its basis of accounting from generally accepted accounting principles to reporting on the modified cash basis as described in Note 2.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

**NOTE 3 – ACCOUNTING CHANGE, RESTATEMENT OF FUND EQUITY AND COMPLIANCE –
(Continued)**

Restatement of Fund Equity

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the District as they were previously reported. The effects on net assets of governmental activities are also presented.

	General	Permanent Improvement	Other Governmental	Total Governmental
Balance 6/30/2003	\$840,444	\$1,205,857	\$387,302	\$2,433,603
Eliminate Asset Accruals	(1,940,018)	(116,656)	(60,408)	(2,117,082)
Eliminate Prepaid Items	(33,658)		(98)	(33,756)
Eliminate Interfund Receivables (Payables)	(5,000)		5,000	
Eliminate Liability Accruals	2,309,645	90,171	103,034	2,502,850
Adjusted Balance 7/1/2003	<u>\$1,171,413</u>	<u>\$1,179,372</u>	<u>\$434,830</u>	<u>\$2,785,615</u>

The restatement of the business-type activities is presented below:

	Food Service Fund
Fund Equity 6/30/2003	\$77,159
Eliminate Inventory	(18,416)
Eliminate Capital Assets	(44,798)
Eliminate Liability Accruals	39,063
Adjusted Net Assets 7/1/2003	<u>\$53,008</u>

Compliance

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

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

The encumbrances outstanding at year end (budgetary basis) amounted to \$20,428 in the general fund.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)

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

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

At fiscal year-end, the carrying amount of the District's deposits was \$2,904,996 and the bank balance was \$3,027,759. Of the bank balance, all \$400,000 was covered by federal depository insurance and \$2,627,759 was covered by collateral held by the District or by collateral held by a qualified third party trustee in the name of the District. Although all State statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2004, the fair value of funds on deposit with STAR Ohio was \$1,223,570.

The classification of cash and cash equivalents and investments on the financial statements is based on the criteria set forth in GASB Statement No.9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$8,208,566	
Investments:		
STAR Ohio	(1,223,570)	\$1,223,570
US Government Securities (Category 3)	(4,080,000)	4,080,000
GASB Statement No. 3	\$2,904,996	\$5,303,570

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2004, was \$98,313 in the general fund and \$17,914 in the bond retirement fund.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$36,409,650	59.95%	\$36,946,910	49.47%
Industrial/Commercial	4,736,930	7.80%	4,681,060	6.27%
Public Utility	6,202,010	10.22%	6,293,930	8.43%
Tangible Personal Property	13,381,763	22.03%	26,753,860	35.83%
Total Assessed Value	<u>\$60,730,353</u>	<u>100.00%</u>	<u>\$74,675,760</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.77		\$39.47	

NOTE 7 – SCHOOL DISTRICT INCOME TAX

The district levies a voted tax of .50 percent for general operations and .25 percent for permanent improvements on the income of residents and of estates. The .50 percent tax was effective January 1, 1992, with the .25 percent effective January 1, 1997, both are a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the district after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and permanent improvement fund and totaled \$243,783 and \$121,892, respectively, for fiscal year 2004.

NOTE 8 – INTERFUND BALANCES

At June 30, 2004, the District had the following interfund advances outstanding from the general fund:

<u>Funds</u>	<u>Advances Outstanding</u>
High School Principal Fund	\$50
Le-Hi Yearbook	2,150
Title I	29,197
Federal Emergency Repair Program	11,000
Title II-D	1,137
	<u>\$43,534</u>

NOTE 9 – RISK MANAGEMENT

A. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 65 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the (Leipsic Local District's) policy. SORSA covers the following risks:

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 9 – RISK MANAGEMENT – (Continued)

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

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

SORSA financial statements are available by contacting SORSA at:

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

B. Employee Medical Benefits

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

C. Workers' Compensation

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary 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 required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$60,042, \$46,933, and \$30,252; 50.48 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$344,561, \$326,515, and \$224,917; 84.62 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. No District employees have elected to participate in the DC or Combined Plans.

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, 2004, three Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$26,505 fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS – (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$24,500. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2004 fiscal year, District paid \$42,111 to fund health care benefits, including the surcharge.

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 for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 12 – DEBT

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

	Principal Outstanding 6/30/2003	Additions	Reductions	Principal Outstanding 6/30/2004	Amount Due in One Year
Governmental Activities					
EPA Asbestos Removal Note (0%)	\$617,272		\$66,808	\$550,464	\$66,808
Facility Construction Bonds (4.41%)		\$4,800,000		4,800,000	175,000
Total	<u>\$617,272</u>	<u>\$4,800,000</u>	<u>\$66,808</u>	<u>\$5,350,464</u>	<u>\$241,808</u>

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 12 – DEBT – (Continued)

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30	Asbestos Loan	Facility Construction Bonds		Total
	Principal	Principal	Interest	
2005	\$66,808	\$175,000	\$229,498	\$471,306
2006	66,808	125,000	186,188	377,996
2007	66,808	130,000	183,638	380,446
2008	66,808	130,000	181,038	377,846
2009	66,808	130,000	178,438	375,246
2010-1014	216,424	740,000	839,225	1,795,649
2015-2019		915,000	702,732	1,617,732
2020-2024		1,220,000	471,797	1,691,797
2025-2028		1,235,000	123,875	1,358,875
Total	\$550,464	\$4,800,000	\$3,096,429	\$8,446,893

NOTE 13 – SET-ASIDE CALCULATIONS

The 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 fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2004, only the unspent portion of prior year bureau of workers compensation refunds required to be set aside is required to be 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 2004.

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 13 – SET-ASIDE CALCULATIONS – (Continued)

	Instructional Materials Reserve	Capital Maintenance Reserve	Budget Reserve
Set-aside Reserve Balance as of June 30, 2003			\$17,563
Current year set-aside requirements	\$96,737	\$96,737	
Current year off-sets		(96,737)	
Qualifying Disbursements	(158,253)		
Amount Carried Forward to Fiscal Year 2005	(61,516)		\$17,563
Set-aside Reserve Balance as of June 30, 2004			\$17,563

The District had qualifying cash disbursements during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

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 budget, textbooks and capital maintenance as of June 30, 2004. The following table summarizes the additional deposits and related expenditures made during fiscal year 2004.

	Instructional Materials Designation	Capital Maintenance Designation	Budget Designation	Total
Balance at June 30, 2003	\$215,637	\$88,327	\$236,057	\$540,021
Additional Deposits FY04		7,163	6,380	13,543
Expenditures Against Designated Amounts	(30,537)			(30,537)
Encumbrances Against Designated Amounts	(10,287)	(6,175)		(16,462)
Total	\$174,813	\$89,315	\$242,437	\$506,565

NOTE 14 – CONTRACTUAL COMMITMENTS

At June 30, 2004, the District had entered into a contract with Beilharz Architects, Inc. for architect services related to the District's facility construction project. The District pays Beilharz Architects, Inc. as services are rendered. The total amount of this contract was for \$500,870 and as of June 30, 2004, the District had paid \$65,122 leaving \$435,748 still owed.

At June 30, 2004, the District had entered into a contract with Lingvai Excavating to relocate storm and sewer lines related to the facility construction project. The total amount of this contract was for \$272,960 and as of June 30, 2004, the entire amount was still owed.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 15 – CONTINGENCIES

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2004, will not have a material adverse effect on the District.

B. Litigation

The District is not a party to any legal proceedings.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. 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. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Millstream Career Cooperative

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

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2004**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Donation Program	-	10.550
School Breakfast Program	-	10.553
National School Lunch Program	-	10.555
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	49353-C1S1-03 49353-C1S1-04	84.010 84.010
Total Title I Grants to Local Education Agencies		
Migrant Education - State Grant Program	49353-MGS1-04	84.011
Safe and Drug-Free Schools and Communities - State Grant	49353-DRS1-04	84.186
Innovative Education Program Strategies	49353-C2S1-03 49353-C2S1-04	84.298 84.298
Total Innovative Education Program Strategies		
Technology Literacy Challenge Fund Grant	49353-TJS1-03 49353-TJS1-04	84.318 84.318
Total Technology Literacy Challenge Fund Grant		
Comprehensive School Reform Demonstration	49353-RFS2-02 49353-RFS3-03	84.332 84.332
Total Comprehensive School Reform Demonstration		
Improving Teacher Quality - State Grant	49353-TRS1-04	84.367
Total Department of Education		
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio School Facilities Commission</i>		
Federal Emergency Repair Program		84.352
Totals		

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>
	\$ 55,704		\$ 55,704
\$ 14,838		\$ 14,838	
<u>83,612</u>		<u>83,612</u>	
<u>98,450</u>	<u>55,704</u>	<u>98,450</u>	<u>55,704</u>
		9,460	
<u>168,847</u>		<u>178,006</u>	
168,847		187,466	
12,200		12,200	
4,023		4,023	
		568	
<u>4,896</u>		<u>3,900</u>	
4,896		4,468	
		787	
<u>4,223</u>		<u>5,231</u>	
4,223		6,018	
25,000		25,581	
<u>28,202</u>		<u>11,865</u>	
53,202		37,446	
<u>39,533</u>		<u>39,533</u>	
<u>286,924</u>		<u>291,154</u>	
		56,000	
<u>45,397</u>		<u>56,000</u>	
<u>\$ 430,771</u>	<u>\$ 55,704</u>	<u>\$ 445,604</u>	<u>\$ 55,704</u>

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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 - 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.

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2006, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 13, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the District's management dated March 13, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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

March 13, 2006



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 apply to each of its major federal programs for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2004-002.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program 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*.

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 13, 2006.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

March 13, 2006

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: Food Donation Program – CFDA #10.550 School Breakfast Program – CFDA #10.553 National School Lunch Program – CFDA #10.555 Title I – Grants to Local Education Agencies – CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Submission of Audit Report

Finding Number	2004-002
CFDA Title and Number	Nutrition Cluster: Food Donation Program – CFDA #10.550 School Breakfast Program – CFDA #10.553 National School Lunch Program – CFDA #10.555 Title I – Grants to Local Education Agencies – CFDA #84.010
Federal Award Year	July 1, 2003 to June 30, 2004
Federal Agencies	United States Department of Agriculture United States Department of Education
Pass-Through Agencies	Ohio Department of Education

Noncompliance Finding

OMB Circular A-133 Subpart B §___.200(b) Single audit requires Non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted. Subpart B §___.320(a) requires entities subject to single audit should remit the audit report within nine months after the end of the period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The District spent over \$500,000 in 2004 in federal awards and no single audit was performed with a corresponding report submitted to the Ohio Department of Education, which is considered the oversight agency, or to the Single Audit Clearinghouse within the nine month period for 2004.

Future funding to the District for these programs could be jeopardized if the A-133 Single Audit reporting requirements are not met.

We recommend the District monitor federal funding and request single audits when required from the Auditor of State of Ohio.



**Auditor of State
Betty Montgomery**

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 4, 2006**