



**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, 2005, 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, 2005, 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.

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.

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

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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, 2005, 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 2005 are as follows:

- Net assets of governmental activities increased \$178,706, or 2.23 percent, from the prior year.
- Net assets of business type activities decreased \$12,946, or 25.84 percent, from the prior year.
- The District's general governmental receipts were \$5,978,923 or 90.14 percent of all revenue. Those being primarily property taxes and unrestricted state entitlements, Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$653,505 or 9.86 percent of total revenues of \$6,632,428.
- The District's business type general receipts were \$1,227 or .50 percent of all revenue. Those being primarily interest and miscellaneous receipts, Program specific revenues in the form of charges for services and operating grants accounted for \$291,905 or 99.50 percent of total revenues of \$293,132.
- The District had \$6,453,722 in expense related to governmental activities: only \$653,505 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,978,923 were adequate to provide for these programs.
- The District had \$306,078 in expense related to business type activities: only \$291,905 of these expenses were offset by program specific charges for services and operating grants. The District also had \$1,227 in general revenues which were 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 \$5,170,093, \$370,042, \$357,842 and \$241,468, respectively, in revenues and other financing sources, and \$4,955,579, \$413,645, 194,759, and \$582,946, respectively, in expenditures and other uses. During fiscal year 2005, the major funds' balances, increased or (decreased) by \$214,514, (\$43,603), \$163,083, and (\$341,478), respectively.
- The Districts business type food service fund had \$293,132 in revenue and \$306,078 in expenses. During fiscal year 2005 the food service fund balance decreased \$12,946 from \$50,108 to \$37,162.

**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

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**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 the Food Service fund are the most significant funds.

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

**Basis of Accounting**

Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. The District has elected to present its financial statements on 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 2005, 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.

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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

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 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, 2005  
UNAUDITED  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to fiscal year 2004 on another comprehensive basis of accounting.

Table 1  
**Net Assets**

	Governmental Activities 2005	Governmental Activities 2004	Business Type Activities 2005	Business Type Activities 2004	Total Activities 2005	Total Activities 2004
<b>Assets:</b>						
Cash and Cash Equivalents	\$8,158,498	\$7,979,792	\$37,162	\$50,108	\$8,195,660	\$8,029,900
<b>Net Assets:</b>						
Restricted	7,076,316	7,222,030			7,076,316	7,222,030
Unrestricted	<u>1,082,182</u>	<u>757,762</u>	<u>37,162</u>	<u>50,108</u>	<u>1,119,344</u>	<u>807,870</u>
Total Net Assets	<u>\$8,158,498</u>	<u>\$7,979,792</u>	<u>\$37,162</u>	<u>\$50,108</u>	<u>\$8,195,660</u>	<u>\$8,029,900</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At year-end, net assets were \$8,158,498 for governmental activities and \$37,162 for business type activities.

A portion of the District's governmental net assets, \$7,076,316, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,082,182 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 from the prior year:

Table 2

	Governmental Activities 2005	Business Type Activities 2005	Governmental Activities 2004	Business Type Activities 2004
<b>Receipts:</b>				
<b>Program Receipts:</b>				
Charges for Services and Sales	\$154,446	\$196,701	\$112,234	\$202,344
Operating Grants and Contributions	488,456	95,204	497,208	102,908
Capital Grants and Contributions	10,603		60,797	
Total Program Receipts	<u>653,505</u>	<u>291,905</u>	<u>670,239</u>	<u>305,252</u>
<b>General Receipts:</b>				
Property Taxes Levied for General Purposes	2,010,070		2,114,595	
Property Taxes Levied for Debt Service	329,558		124,525	
School District Income Taxes for General Purposes	263,370		243,783	
School District Income Taxes for Capital Projects	131,685		121,892	

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Payment in Lieu of Taxes	260,700		281,315	
Grants and Entitlements Not Restricted to Specific Programs	2,460,960		2,665,429	
Bond Proceeds			4,800,000	
Premium on Bond Issuance			12,378	
Note Proceeds			4,800,000	
Proceeds from Sale of Capital Assets	12,795		1,570	
Transfers	(1,000)		(400)	
Advances	600		(600)	
Donations	240,900		62,300	
Interest	163,098	1,227	86,829	824
Miscellaneous	106,187		58,743	
Total General Receipts	<u>\$5,978,923</u>	<u>\$1,227</u>	<u>\$15,372,359</u>	<u>\$824</u>
Total Receipts	<u>\$6,632,428</u>	<u>\$293,132</u>	<u>\$16,042,598</u>	<u>\$306,076</u>
Disbursements:				
Instruction:				
Regular	2,161,540		\$2,398,064	
Special	744,693		826,708	
Vocational	297,933		297,475	
Support Services:				
Pupil	143,361		145,798	
Instructional Staff	235,804		232,791	
Board of Education	12,963		9,186	
Administration	522,267		502,139	
Fiscal	212,303		224,001	
Operation and Maintenance of Plant	423,836		414,864	
Pupil Transportation	210,019		266,555	
Central			649	
Operation of non-instructional services	142,984		137,033	
Food Services		\$306,078		\$308,976
Extracurricular Activities	269,146		261,749	
Capital Outlay	605,567		190,523	
Debt Service				
Principal	241,808		4,866,808	
Interest and Fiscal Charges	229,498		74,078	
Total Disbursements	<u>6,453,722</u>	<u>306,078</u>	<u>10,848,421</u>	<u>308,976</u>
Increase (Decrease) in Net Assets	178,706	(12,946)	5,194,177	(2,900)
Net Assets, July 1	<u>7,979,792</u>	<u>50,108</u>	<u>2,785,615</u>	<u>53,008</u>
Net Assets, June 30	<u>\$8,158,498</u>	<u>\$37,162</u>	<u>\$7,979,792</u>	<u>\$50,108</u>

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Net assets of the District's governmental activities increased \$178,706. Total governmental expenses of \$6,453,722 were offset by program revenues of \$653,505 and general revenues of \$5,978,923. Program revenues supported 10.13 percent of the total governmental expenses.

The primary sources of revenue for the governmental activities are derived from property taxes, income taxes and grant and entitlements. These revenue sources represent 82.26 percent of total governmental revenue. Real estate property is reappraised every six years.

Net assets of the District's business type activities decreased \$12,946. Total business type expenses of \$306,078 were offset by program revenues of \$291,905 and general revenues of \$1,227.

**Governmental and Business Type Activities**

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

Table 3

	Governmental Activities		Business Type Activities		Governmental Activities		Business Type Activities	
	Total Cost of	Net Cost of	Total Cost of	Net Cost of	Total Cost of	Net Cost of	Total Cost of	Net Cost of
	Services	Services	Services	Services	Services	Services	Services	Services
	2005	2005	2005	2005	2004	2004	2004	2004
Current:								
Instruction:								
Regular	\$2,161,540	\$2,092,119			\$2,398,064	\$2,296,440		
Special	744,693	662,699			826,708	731,842		
Vocational	297,933	249,037			297,475	246,692		
Other								
Support Services:								
Pupil	143,361	120,194			145,798	124,598		
Instructional Staff	235,804	96,043			232,791	123,641		
Board of Education	12,963	12,963			9,186	9,186		
Administration	522,267	522,267			502,139	502,139		
Fiscal	212,303	208,636			224,001	219,126		
Operation and Maintenance of Plant	423,836	423,836			414,864	414,864		
Pupil Transportation	210,019	198,358			266,555	251,146		
Central					649	649		
Operation of non-instructional services	142,984	9,746			137,033	(4,442)		
Operation of Food Services			\$306,078	\$14,173			\$308,976	\$3,724
Extracurricular Activities	269,146	138,049			261,749	176,289		
Capital Outlay	605,567	594,964			190,523	145,126		
Debt Service								
Principal	241,808	241,808			4,866,808	4,866,808		
Interest and Fiscal Charges	229,498	229,498			74,078	74,078		
<b>Total Disbursements</b>	<b>\$6,453,722</b>	<b>\$5,800,217</b>	<b>\$306,078</b>	<b>\$14,173</b>	<b>\$10,848,421</b>	<b>\$10,178,172</b>	<b>\$308,976</b>	<b>\$3,724</b>

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

The dependence upon tax receipts and unrestricted state entitlements is apparent 93.74 percent of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 89.87 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 \$8,195,660, which is higher than last year's total of \$8,029,900. The schedule below indicates that fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Table 4		
	Fund Balance	Fund Balance	Increase
	June 30, 2005	June 30, 2004	(Decrease)
General	\$1,496,404	\$1,281,890	\$214,514
Debt Service	39,531	83,134	(43,603)
Permanent Improvement	1,089,043	925,960	163,083
Facility Construction	4,889,736	5,231,214	(341,478)
Other Governmental	643,784	457,594	186,190
Food Service	37,162	50,108	(12,946)
Total Fund Balance	\$8,195,660	\$8,029,900	\$165,760

**General Fund**

The District's general fund's balance increased by \$214,514.

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

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Table 5

	2005 Amount	2004 Amount
<b>Revenues</b>		
Taxes	\$2,273,440	\$2,358,378
Intergovernmental	2,459,588	2,707,393
Earnings on Investments	68,517	50,487
Tuition and Fees	23,349	26,774
Miscellaneous	32,885	33,113
Total Revenue	\$4,857,779	\$5,176,145
<b>Expenditures</b>		
Instruction	\$2,994,593	\$3,310,174
Support Services	1,546,025	1,548,250
Extracurricular activities	139,202	137,537
Total Expenditures	\$4,679,820	\$4,995,961
<b>Other Sources (Uses)</b>		
Advances In/(Out) – Net	\$24,760	(\$39,134)
Transfers Out	(1,000)	(32,440)
Other	12,795	1,867
Total Other Sources (Uses)	\$36,555	(\$69,707)

**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 2005, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts and other financing receipts, in the amount of \$5,202,525, was also the amount of the original budgeted revenue estimate. Actual revenues and other financing sources for fiscal year 2005 was \$5,170,093. This represents a \$32,432 decrease from final budgeted revenues.

General Fund original budgeted appropriations (appropriated expenditures plus other financing uses) of \$5,360,876 was \$29,136 more than the final budget amount of \$5,331,740. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$5,087,098 which was \$244,642 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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Debt

At June 30, 2005, the District had \$483,656 outstanding on an interest free United States EPA Asbestos Abatement Loan. Of this total, \$66,808 is due within one year and \$416,848 is due within more than one year. In addition, the District had \$4,625,000 in facility construction bonds outstanding. Of this total, \$125,000 is due within one year and \$4,500,000 is due within more than one year. The following table summarizes the bonds outstanding.

	Table 6 Balance <u>June 30, 2005</u>	Balance <u>June 30, 2004</u>	<u>(Decrease)</u>
EPA Asbestos Loan	\$483,656	\$550,464	(\$66,808)
Facility Construction Bonds	\$4,625,000	\$4,800,000	(\$175,000)

**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 deficits in the near future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the 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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Net Assets - Modified Cash Basis  
June 30, 2005**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$8,158,498</u>	<u>\$37,162</u>	<u>\$8,195,660</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$5,978,779		\$5,978,779
Debt Service	39,531		39,531
Set Asides	414,222		414,222
Other Purposes	643,784		643,784
Unrestricted	<u>1,082,182</u>	<u>\$37,162</u>	<u>1,119,344</u>
<i>Total Net Assets</i>	<u>\$8,158,498</u>	<u>\$37,162</u>	<u>\$8,195,660</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, 2005**

	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
<b>Governmental Activities</b>							
Current:							
Instruction:							
Regular	\$2,161,540	\$23,349	\$46,072		(\$2,092,119)		(\$2,092,119)
Special	744,693		81,994		(662,699)		(662,699)
Vocational	297,933		48,896		(249,037)		(249,037)
Support Services:							
Pupil	143,361		23,167		(120,194)		(120,194)
Instructional Staff	235,804		139,761		(96,043)		(96,043)
Board of Education	12,963				(12,963)		(12,963)
Administration	522,267				(522,267)		(522,267)
Fiscal	212,303		3,667		(208,636)		(208,636)
Operation and Maintenance of Plant	423,836				(423,836)		(423,836)
Pupil Transportation	210,019		11,661		(198,358)		(198,358)
Operation of Non-Instructional Services	142,984		133,238		(9,746)		(9,746)
Extracurricular Activities	269,146	131,097			(138,049)		(138,049)
Capital Outlay	605,567			10,603	(594,964)		(594,964)
Debt Repayment:							
Principal	241,808				(241,808)		(241,808)
Interest and Fiscal Charges	229,498				(229,498)		(229,498)
<i>Total Governmental Activities</i>	<u>6,453,722</u>	<u>154,446</u>	<u>488,456</u>	<u>10,603</u>	<u>(5,800,217)</u>		<u>(5,800,217)</u>
<b>Business-Type Activity</b>							
Food Service	306,078	196,701	95,204			(14,173)	(14,173)
<b>Total</b>	<u>\$6,759,800</u>	<u>\$351,147</u>	<u>\$583,660</u>	<u>\$10,603</u>	<u>(5,800,217)</u>	<u>(14,173)</u>	<u>(5,814,390)</u>
<b>General Receipts</b>							
Property Taxes Levied for:							
General Purposes					2,010,070		2,010,070
Debt Service					329,558		329,558
Income Taxes Levied for:							
General Purposes					263,370		263,370
Capital Projects					131,685		131,685
Grants and Entitlements not Restricted to Specific Programs					2,460,960		2,460,960
Payments in Lieu of Taxes					260,700		260,700
Proceeds from Sale of Capital Asset					12,795		12,795
Transfers					(1,000)		(1,000)
Advances					600		600
Interest					163,098	1,227	164,325
Donations					240,900		240,900
Miscellaneous					106,187		106,187
<i>Total General Receipts</i>					<u>5,978,923</u>	<u>1,227</u>	<u>5,980,150</u>
Change in Net Assets					178,706	(12,946)	165,760
<i>Net Assets Beginning of Year</i>					<u>7,979,792</u>	<u>50,108</u>	<u>8,029,900</u>
<i>Net Assets End of Year</i>					<u>\$8,158,498</u>	<u>\$37,162</u>	<u>\$8,195,660</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, 2005**

	General	Debt Service	Permanent Improvement	Facility Construction	Other Governmental Funds	Total Government Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,478,841	\$39,531	\$1,089,043	\$4,889,736	\$643,784	\$8,140,935
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	17,563					17,563
<b>Total Assets</b>	<b>\$1,496,404</b>	<b>\$39,531</b>	<b>\$1,089,043</b>	<b>\$4,889,736</b>	<b>\$643,784</b>	<b>\$8,158,498</b>
<b>Fund Balances</b>						
Reserved for:						
Encumbrances	\$131,519		\$49,101	\$4,629,524	\$89,310	\$4,899,454
Unclaimed Monies	4,103					4,103
Budget Stabilization	17,563					17,563
Unreserved:						
Designated:						
Instructional Materials	95,072					95,072
Capital Maintenance	59,150					59,150
Budget Stabilization	242,437					242,437
Undesignated, Reported in						
General Fund	946,560					946,560
Special Revenue Funds					303,787	303,787
Debt Service Fund		\$39,531				39,531
Capital Projects Funds			1,039,942	260,212		1,300,154
Permanent Funds					250,687	250,687
<b>Total Fund Balances</b>	<b>\$1,496,404</b>	<b>\$39,531</b>	<b>\$1,089,043</b>	<b>\$4,889,736</b>	<b>\$643,784</b>	<b>\$8,158,498</b>

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, 2005**

	General	Debt Service	Permanent Improvement	Facility Construction	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property Taxes	\$2,010,070	\$329,558				\$2,339,628
Income Taxes	263,370		\$131,685			395,055
Payment in Lieu of Taxes			225,700		\$35,000	260,700
Intergovernmental	2,459,588	40,484			459,947	2,960,019
Interest	68,517		457	\$92,237	1,887	163,098
Tuition and Fees	23,349					23,349
Extracurricular Activities					131,097	131,097
Donations					240,900	240,900
Miscellaneous	32,885			46,049	27,253	106,187
<i>Total Receipts</i>	<u>4,857,779</u>	<u>370,042</u>	<u>357,842</u>	<u>138,286</u>	<u>896,084</u>	<u>6,620,033</u>
<b>Disbursements</b>						
Current:						
Instruction:						
Regular	2,033,838				127,702	2,161,540
Special	666,250				78,443	744,693
Vocational	294,505				3,428	297,933
Support Services:						
Pupil	123,322				20,039	143,361
Instructional Staff	56,393				179,411	235,804
Board of Education	12,963					12,963
Administration	522,267					522,267
Fiscal	197,225	9,147	2,148		3,783	212,303
Operation and Maintenance of Plant	423,836					423,836
Pupil Transportation	210,019					210,019
Operation of Non-Instructional Services					142,984	142,984
Extracurricular Activities	139,202				129,944	269,146
Capital Outlay			22,621	582,946		605,567
Debt Service:						
Principal Retirement		175,000	66,808			241,808
Interest and Fiscal Charges		229,498				229,498
<i>Total Disbursements</i>	<u>4,679,820</u>	<u>413,645</u>	<u>91,577</u>	<u>582,946</u>	<u>685,734</u>	<u>6,453,722</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>177,959</u>	<u>(43,603)</u>	<u>266,265</u>	<u>(444,660)</u>	<u>210,350</u>	<u>166,311</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Fixed Assets	12,795					12,795
Advance In	299,519				274,729	574,248
Advance Out	(274,759)				(298,889)	(573,648)
Transfers In				103,182		103,182
Transfers Out	(1,000)		(103,182)			(104,182)
<i>Total Other Financing Sources (Uses)</i>	<u>36,555</u>		<u>(103,182)</u>	<u>103,182</u>	<u>(24,160)</u>	<u>12,395</u>
<i>Net Change in Fund Balances</i>	<u>214,514</u>	<u>(43,603)</u>	<u>163,083</u>	<u>(341,478)</u>	<u>186,190</u>	<u>178,706</u>
<i>Fund Balances Beginning 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>
<i>Fund Balances End of Year</i>	<u>\$1,496,404</u>	<u>\$39,531</u>	<u>\$1,089,043</u>	<u>\$4,889,736</u>	<u>\$643,784</u>	<u>\$8,158,498</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, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$2,077,440	\$2,077,440	\$2,010,070	(\$67,370)
Income Taxes	255,500	255,500	263,370	7,870
Intergovernmental	2,266,020	2,266,020	2,459,588	193,568
Interest	48,000	48,000	68,517	20,517
Tuition and Fees	18,000	18,000	23,349	5,349
Miscellaneous	55,900	55,900	32,885	(23,015)
<i>Total receipts</i>	<u>4,720,860</u>	<u>4,720,860</u>	<u>4,857,779</u>	<u>136,919</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,182,809	3,223,774	2,123,415	1,100,359
Special	267,941	191,586	669,978	(478,392)
Vocational	90,828	91,098	303,278	(212,180)
Support Services:				
Pupil	43,733	43,869	123,642	(79,773)
Instructional Staff	170,208	174,021	56,393	117,628
Board of Education	4,950	3,182	13,063	(9,881)
Administration	491,389	501,854	524,067	(22,213)
Fiscal	20,509	8,326	196,770	(188,444)
Operation and Maintenance of Plant	350,733	353,499	443,619	(90,120)
Pupil Transportation	150,166	157,211	217,912	(60,701)
Extracurricular Activities	104,355	103,555	139,202	(35,647)
<i>Total Disbursements</i>	<u>4,877,621</u>	<u>4,851,975</u>	<u>4,811,339</u>	<u>40,636</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(156,761)</u>	<u>(131,115)</u>	<u>46,440</u>	<u>177,555</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets			12,795	12,795
Advances In	231,000	231,000	299,519	68,519
Advances Out	(231,000)	(260,000)	(274,759)	(14,759)
Transfers In	250,665	250,665		(250,665)
Transfers Out	(252,255)	(219,765)	(1,000)	218,765
<i>Total Other Financing Sources (Uses)</i>	<u>(1,590)</u>	<u>1,900</u>	<u>36,555</u>	<u>34,655</u>
<i>Net Change in Fund Balance</i>	<u>(158,351)</u>	<u>(129,215)</u>	<u>82,995</u>	<u>212,210</u>
<i>Fund Balance Beginning of Year</i>	1,261,462	1,261,462	1,261,462	
Prior Year Encumbrances Appropriated	20,428	20,428	20,428	
<i>Fund Balance End of Year</i>	<u>\$1,123,539</u>	<u>\$1,152,675</u>	<u>\$1,364,885</u>	<u>\$212,210</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, 2005**

	<u>Food Service Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$37,162</u></u>
<b>Net Assets</b>	
Unrestricted	<u>37,162</u>
<i>Total Net Assets</i>	<u><u>\$37,162</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, 2005**

	Food Service Fund
<b>Operating Receipts</b>	
Charges for Services	\$196,701
<b>Operating Disbursements</b>	
Personal Services	171,810
Materials and Supplies	124,075
Contract Services	9,218
<i>Total Operating Disbursements</i>	<i>305,103</i>
<i>Operating Loss</i>	<i>(108,402)</i>
<b>Non-Operating Receipts/(Disbursements):</b>	
Interest	1,227
Intergovernmental Revenue	95,204
Capital Outlay	(975)
<i>Total Non-Operating Receipts/(Disbursements)</i>	<i>95,456</i>
<i>Changes in Net Assets</i>	<i>(12,946)</i>
Net Assets - Beginning of Year	50,108
Net Assets - End of Year	\$ 37,162

*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, 2005**

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$158,852	\$15,539
<b>Net Assets</b>		
Held for Student Activities		15,539
Held in Trust for Scholarships	158,852	
Total Net Assets	\$158,852	\$15,539

*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, 2005**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	<u>\$ 1,952</u>
<b>Deductions</b>	
Scholarship Payments	<u>6,000</u>
<i>Change in Net Assets</i>	(4,048)
<i>Net Assets Beginning of Year</i>	<u>162,900</u>
<i>Net Assets End of Year</i>	<u><u>\$ 158,852</u></u>

*See accompanying notes to the basic financial statements*

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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 568<sup>th</sup> largest in the State of Ohio (among 611 school districts) in terms of enrollment. The District is staffed by 28 classified employees, 47 certified full-time teaching personnel, and 4 administrative employees who provide services to 664 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 8 and 15 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, 2005  
(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, 2005  
(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, 2005  
(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 2005, the School 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, 2005.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited during fiscal year 2005 was as follows: General Fund \$68,517, Permanent Improvement Fund \$457, Facility Construction Fund \$92,237, Trust Funds \$1,952, Other Governmental Funds \$1,887, and Food Service Fund \$1,227.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(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, 2005, 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***

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, \$95,072 and \$59,150 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, 2005  
(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 7 lists unpaid advances receivable and payable.

***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 2005.

***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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING AND COMPLIANCE**

**Budgetary**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference between the budgetary basis and the 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 \$131,519 in the general fund.

**Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a 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.

**NOTE 4 – 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;

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

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

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

**Cash on Hand** – At June 30, 2005, the District had \$600 cash on hand.

**Deposits with Financial Institutions**

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

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$3,530,688 of the District's bank balance of \$3,930,688 was exposed to custodial risk as discussed below, while \$400,000 was covered by Federal Deposit Insurance Corporation.

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

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

**Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
FHLB	\$ 2,015,000	\$ 1,730,000	\$ 285,000
FNMA	1,275,000	825,000	450,000
STAR Ohio	1,248,769	1,248,769	-
	<u>\$ 4,538,769</u>	<u>\$ 3,803,769</u>	<u>\$ 735,000</u>

*Interest Rate Risk:* The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

*Credit Risk:* The District's investments in FHLB and FNMA were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. STAR Ohio carries a rating of AAAM by Standard and Poor's.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLB	\$ 2,015,000	44.40
FNMA	1,275,000	28.09
STAR Ohio	1,248,769	27.51
	<u>\$ 4,538,769</u>	<u>100.00</u>

**NOTE 5 – 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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 5 – PROPERTY TAXES – (CONTINUED)**

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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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, 2005, are available to finance fiscal year 2005 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, 2005, was \$100,887 in the general fund, \$18,290 in the bond retirement fund.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$36,946,910	49.47%	\$37,569,350	51.65%
Industrial/Commercial	4,681,060	6.27%	4,352,920	5.98%
Public Utility	6,293,930	8.43%	5,988,260	8.23%
Tangible Personal Property	<u>26,753,860</u>	<u>35.83%</u>	<u>24,829,040</u>	<u>34.14%</u>
Total Assessed Value	<u>\$74,675,760</u>	<u>100.00%</u>	<u>\$72,739,570</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$39.47</u>		<u>\$39.47</u>	

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 6 – 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 \$263,370 and \$131,685, respectively, for fiscal year 2005.

**NOTE 7 – INTERFUND BALANCES**

At June 30, 2005, the District had the following interfund advances outstanding from the general fund:

<u>Funds</u>	<u>Advances Outstanding</u>
Le-Hi Yearbook	\$5,705
Elementary Intervention	13,669
	<u>\$19,374</u>

**NOTE 8 – 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:

- 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

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 8 – RISK MANAGEMENT – (CONTINUED)**

***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 2005 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 are 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.

**NOTE 9 – 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004, and 2003, were \$72,398, \$60,042, and \$46,933; 52.26 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

***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.

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, 2005, 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, 2005, 2004, and 2003, were \$308,253, \$344,561, and \$326,515; 83.85 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. 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, 2005, three Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 10 - 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, 2005, 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 \$23,712 fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. 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 2005, the minimum pay was established at \$27,400. The surcharge added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the 2005 fiscal year, District paid \$33,540 to fund health care benefits, including the surcharge.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005, were \$178,221,113. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide health care reserve equal to at least 150% of the estimated annual net claims costs. The number of participants eligible to receive benefits is 58,123.

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 11 – DEBT**

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

	Principal Outstanding 6/30/2004	Additions	Reductions	Principal Outstanding 6/30/2005	Amount Due in One Year
<b>Governmental Activities</b>					
EPA Asbestos Removal Note (0%)	\$550,464		\$66,808	\$483,656	\$66,808
Facility Construction Bonds (4.41%)	4,800,000		175,000	4,625,000	125,000
<b>Total</b>	<u>\$5,350,464</u>		<u>\$241,808</u>	<u>\$5,108,656</u>	<u>\$191,808</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.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30	Asbestos Loan	Facility Construction Bonds		Total
	Principal	Principal	Interest	
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
20010	66,808	140,000	175,528	382,336
2011-1015	149,616	765,000	817,442	1,732,058
2016-2020		965,000	666,543	1,631,543
2021-2025		1,300,000	408,616	1,708,616
2026-2028		940,000	69,500	1,009,500
<b>Total</b>	<u>\$483,656</u>	<u>\$4,625,000</u>	<u>\$2,866,931</u>	<u>\$7,975,587</u>

**LEIPSIC LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 12 – SET-ASIDE CALCULATIONS**

State statute annually requires the District to set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2005, only the unspent portion of prior year bureau of workers compensation refunds is shown as a reserve at year end.

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

	Instructional Materials Reserve	Capital Maintenance Reserve	Budget Reserve
Set-aside Reserve Balance as of June 30, 2004	(\$61,516)		\$17,563
Current year set-aside requirements	93,209	\$93,209	
Current year off-sets		(93,209)	
Qualifying Disbursements	(111,157)		
Amount carried forward to fiscal year 2006	(\$79,464)		\$17,563
Set-aside Reserve Balance as of June 30, 2005	<u>(\$79,464)</u>		<u>\$17,563</u>

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

In addition to the required reserves the Board of Education authorized the Treasurer to deposit additional amounts in the set aside accounts which resulted in an additional designation for textbooks and capital maintenance as of June 30, 2005. The following table summarizes the additional deposits and related expenditures made during fiscal year 2005.

	Instructional Materials Designation	Capital Maintenance Designation	Budget Designation	Total
Balance at June 30, 2004	\$174,813	\$89,315	\$242,437	\$506,565
Additional Deposits FY05	22,657			22,657
Expenditures Against Designated Amounts		(3,539)		(3,539)
Encumbrances Against Designated Amounts	(102,398)	(26,626)		(129,024)
Total	<u>\$95,072</u>	<u>\$59,150</u>	<u>\$242,437</u>	<u>\$396,659</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 13 – CONTRACTUAL COMMITMENTS**

At June 30, 2005, 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, 2005, the District had paid \$350,609 leaving \$150,261 still owed.

At June 30, 2005, the District had contractual commitments outstanding related to the District's facility construction project as follows: Mel Lanzer Company \$2,843,730, County Enterprises, Inc \$474,850, Fitzenrider, Inc. \$640,650, Vulcan Enterprises, Inc. \$67,912, Skelton's, Inc. \$194,932, and LR Babcock Plumbing and Heating, Inc. \$256,000.

At June 30, 2005, the District had a contractual commitment for a new school bus with Cardinal Sales and Service for \$61,600.

**NOTE 14 – 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, 2005, will not have a material adverse effect on the District.

**B. Litigation**

The District is not a party to any legal proceedings.

**NOTE 15 – 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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)**

**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.



**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, 2005, 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 2005-001. In a separate letter to the District's management dated March 13, 2006, we reported other matters related to noncompliance we deemed immaterial.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Leipsic Local School District  
Putnam County  
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by Government Auditing Standards.  
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. 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

LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2005

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

FINDING NUMBER 2005-001

**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 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 District can be fined and various other administrative remedies may be taken against the District.

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**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	<b>OAC §117-2-3(B)</b> reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2005-001.
2004-002	<b>OMB Circular A-133 Subpart B §___.200(b)</b> single audit not performed	Yes	Finding no longer valid.





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 4, 2006**