

***LEIPSIC LOCAL SCHOOL DISTRICT***

**PUTNAM COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended June 30, 2006**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Leipsic Local School District  
232 Oak Street  
Leipsic, Ohio 45856

We have reviewed the *Report of Independent Accountants* of the Leipsic Local School District, Putnam County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Leipsic Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 4, 2008

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**LEIPSIC LOCAL SCHOOL DISTRICT**  
**PUTNAM COUNTY, OHIO**  
**Audit Report**  
**For the year ended June 30, 2006**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Report of Independent Accountants	1-2
Management's Discussion and Analysis	3-12
Statement of Net Assets – Cash Basis	13
Statement of Activities – Cash Basis	14
Statement of Assets and Fund Balances – Cash Basis Governmental Funds	15
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds	16
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis – General Fund	17
Statement of Fund Net Assets – Cash Basis – Proprietary Fund	18
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances – Cash Basis - Proprietary Fund	19
Statement of Fiduciary Net Assets – Cash Basis	20
Statement of Changes in Fiduciary Net Assets – Cash Basis	21
Notes to the Financial Statements	22-38
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39-40
Schedule of Findings	41
Schedule of Prior Audit Findings	42

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

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

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 the Leipsic Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leipsic Local School District, Putnam County, Ohio, as of June 30, 2006, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2007 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis is not a required part of the 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 methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

***Charles E. Harris & Associates, Inc.***

November 30, 2007

LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
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, 2006, 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 2006 are as follows:

Net assets of governmental activities decreased \$2,939,231, or 36.03 percent, from the prior year.

Net assets of business type activities increased \$15,635, or 42.07 percent, from the prior year.

The District's general governmental receipts were \$6,266,383 or 90.71 percent of all revenue, these 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 \$641,867 or 9.29 percent of total revenues of \$6,908,250.

The District's business type general receipts were \$2,357 or 0.72 percent of all revenue, these being only interest. Program specific revenues in the form of charges for services and operating grants accounted for \$324,208 or 99.28 percent of total revenues of \$326,565.

The District had \$9,847,481 in expenses related to governmental activities: only \$641,867 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 \$6,266,383 were not adequate to provide for these programs.

The District had \$310,930 in expenses related to business type activities, these expenses were offset by program specific charges for services and operating grants of \$324,208. The District also had \$2,357 in general revenues which were adequate to provide for these programs.

The District's major governmental funds were the general, permanent improvement and facility construction funds. The major funds had \$5,472,583, \$365,880, and \$159,208, respectively, in revenues and other financing sources, and \$5,218,485, \$189,117, and \$3,615,913, respectively, in expenditures and other uses. During fiscal year 2006, the major funds' balances, increased or (decreased) by \$254,098, \$176,763, and (\$3,456,705), respectively. The dramatic decrease in the fund balance of the facility construction fund was related to the construction of the district's new cafeteria and gymnasium addition.

The District's business type food service fund had \$326,565 in revenue and \$310,930 in expenses. During fiscal year 2006 the food service fund balance increased \$15,635 from \$37,162 to \$52,797.

**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, 2006  
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, 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 2006, 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, 2006  
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 three categories: governmental, proprietary and fiduciary. 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, 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, 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.

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.

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.

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005 on the cash basis of accounting.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)

Table 1  
**Net Assets**

	Governmental Activities 2006	Governmental Activities 2005	Business Type Activities 2006	Business Type Activities 2005	Total Activities 2006	Total Activities 2005
<b>Assets:</b>						
Cash and Cash Equivalents	\$5,219,267	\$8,158,498	\$52,797	\$37,162	\$5,272,064	\$8,195,660
<b>Net Assets:</b>						
Restricted	3,927,008	7,205,339			3,927,008	7,205,339
Unrestricted	1,292,259	953,159	52,797	37,162	1,345,056	990,321
Total Net Assets	<u>\$5,219,267</u>	<u>\$8,158,498</u>	<u>\$52,797</u>	<u>\$37,162</u>	<u>\$5,272,064</u>	<u>\$8,195,660</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At year-end, net assets were \$5,219,267 for governmental activities and \$52,797 for business type activities.

A portion of the District's net assets, \$3,927,008, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,292,259 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:

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)

Table 2

	Governmental Activities 2006	Business Type Activities 2006	Governmental Activities 2005	Business Type Activities 2005
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$147,492	\$205,820	\$154,446	\$196,701
Operating Grants and Contributions	494,375	118,388	488,456	95,204
Capital Grants and Contributions			10,603	
Total Program Receipts	<u>641,867</u>	<u>324,208</u>	<u>653,505</u>	<u>291,905</u>
General Receipts:				
Property Taxes Levied for General Purposes	2,011,877		2,010,070	
Property Taxes Levied for Debt Service	320,806		329,558	
School District Income Taxes for General Purposes	278,237		263,370	
School District Income Taxes for Capital Projects	139,118		131,685	
Payment in Lieu of Taxes	258,372		260,700	
Grants and Entitlements Not Restricted to Specific Programs	2,784,696		2,460,960	
Proceeds from Sale of Capital Assets	2,204		12,795	
Advances			600	
Donations	148,500		240,900	
Interest	297,455	2,357	163,098	1,227
Miscellaneous	25,118		106,187	
Total General Receipts	<u>\$6,266,383</u>	<u>\$2,357</u>	<u>\$5,979,923</u>	<u>\$1,227</u>
Total Receipts	<u>\$6,908,250</u>	<u>\$326,565</u>	<u>\$6,633,428</u>	<u>\$293,132</u>
Disbursements:				
Instruction:				
Regular	2,364,618		\$2,161,540	
Special	792,399		744,693	
Vocational	329,054		297,933	
Support Services:				
Pupil	108,800		143,361	
Instructional Staff	202,393		235,804	
Board of Education	21,114		12,963	
Administration	515,753		522,267	
Fiscal	236,623		212,303	
Operation and Maintenance of Plant	455,064		423,836	
Pupil Transportation	324,959		210,019	
Operation of non-instructional services	135,510		142,984	
Food Services		\$310,930		\$306,078
Extracurricular Activities	247,552		270,146	
Capital Outlay	3,735,938		605,567	
Debt Service				
Principal	191,808		241,808	
Interest and Fiscal Charges	185,896		229,498	
Total Disbursements	<u>9,847,481</u>	<u>310,930</u>	<u>6,454,722</u>	<u>306,078</u>
Increase (Decrease) in Net Assets	(2,939,231)	15,635	178,706	(12,946)
Net Assets, July 1	8,158,498	37,162	7,979,792	50,108
Net Assets, June 30	<u>\$5,219,267</u>	<u>\$52,797</u>	<u>\$8,158,498</u>	<u>\$37,162</u>

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)

Net assets of the District's governmental activities decreased \$2,939,231. Total governmental disbursements of \$9,847,481 were offset by program receipts of \$641,867 and general receipts of \$6,266,383. Program receipts supported 6.52 percent of the total governmental disbursements.

The primary sources of revenue for the governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 83.86 percent of total governmental receipts. Real estate property is reappraised every six years.

Net assets of the District's business type activities increased \$15,635. Total business type disbursements of \$310,930 were offset by program receipts of \$324,208 and general receipts of \$2,357.

**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

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Governmental Activities</b>		<b>Business Type Activities</b>	
	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
	2006	2006	2006	2006	2005	2005	2005	2005
Current:								
Instruction:								
Regular	\$2,364,618	\$2,185,717			\$2,161,540	\$2,092,119		
Special	792,399	789,899			744,693	662,699		
Vocational	329,054	279,611			297,933	249,037		
Support Services:								
Pupil	108,800	97,800			143,361	120,194		
Instructional Staff	202,393	100,103			235,804	96,043		
Board of Education	21,114	21,114			12,963	12,963		
Administration	515,753	515,753			522,267	522,267		
Fiscal	236,623	236,623			212,303	208,636		
Operation and Maintenance of Plant	455,064	455,064			423,836	423,836		
Pupil Transportation	324,959	317,166			210,019	196,358		
Operation of non-instructional services	135,510	(38,865)			142,984	9,746		
Operation of Food Services			\$310,930	\$(13,278)			\$306,078	\$14,173
Extracurricular Activities	247,552	131,987			269,146	138,049		
Capital Outlay	3,735,938	3,735,938			605,567	594,964		
Debt Service								
Principal	191,808	191,808			241,808	241,808		
Interest and Fiscal Charges	185,896	185,896			229,498	229,498		
<b>Total Disbursements</b>	<b>\$9,847,481</b>	<b>\$9,205,614</b>	<b>\$310,930</b>	<b>\$(13,278)</b>	<b>\$6,453,722</b>	<b>\$5,800,217</b>	<b>\$306,078</b>	<b>\$14,1473</b>

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)

The dependence upon tax receipts and unrestricted state entitlements is apparent, 93.38 percent of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 93.48 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 cash basis of accounting. Total combined fund balance of \$5,272,064, which is less than last year's total of \$8,195,660. The schedule below indicates that fund balance and the total change in fund balance as of June 30, 2006 and 2005.

Table 4

	Fund Balance June 30, 2006	Fund Balance June 30, 2005	Increase (Decrease)
General	\$1,750,502	\$1,496,404	\$254,098
Permanent Improvement	1,265,806	1,089,043	176,763
Facility Construction	1,433,031	4,889,736	(3,456,705)
Other Governmental	769,928	683,315	86,613
Food Service	52,797	37,162	15,635
Total Fund Balance	<u>\$5,272,064</u>	<u>\$8,195,660</u>	<u>(\$2,923,596)</u>

**General Fund**

The District's general fund's balance increased by \$254,098.

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

Table 5

	2006 Amount	2005 Amount
<b>Receipts</b>		
Taxes	\$2,290,114	\$2,273,440
Intergovernmental	2,770,783	2,459,588
Earnings on Investments	133,284	68,517
Tuition and Fees	25,947	23,349
Miscellaneous	25,118	32,885
Total Receipts	<u>\$5,245,246</u>	<u>\$4,857,779</u>
<b>Disbursements</b>		
Instruction	\$3,236,777	\$2,994,593
Support Services	1,624,049	1,546,025
Extracurricular activities	142,395	139,202
Total Disbursements	<u>\$5,003,221</u>	<u>\$4,679,820</u>
<b>Other Sources (Uses)</b>		
Advances In/(Out) – Net	\$19,374	\$24,760
Transfers In/(Out) – Net	(9,505)	(1,000)
Sale of Capital Assets	2,204	12,795
Total Other Sources (Uses)	<u>\$12,073</u>	<u>\$36,555</u>

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)

**General Fund Budgeting Highlights**

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

During fiscal year 2006, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts, in the amount of \$5,605,469, were also the amount of the original budgeted revenue estimate. Actual revenues and other financing sources for fiscal year 2006 was \$5,684,583. This represents a \$79,114 increase from final budgeted revenues.

General Fund final budgeted appropriations (appropriated expenditures plus other financing uses) of \$5,686,647 were \$184,457 more than the original budget amount of \$5,502,190. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$5,478,310 which was \$208,337 less than the final budget appropriations.

**Capital Assets and Debt Administration**

Capital Assets

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

Debt

At June 30, 2006, the District had \$416,848 outstanding on an interest free United States EPA Asbestos Abatement Loan. Of this total, \$66,808 is due within one year and \$350,040 is due within more than one year. In addition, the District had \$4,500,000 in facility construction bonds outstanding. Of this total, \$130,000 is due within one year and \$4,370,000 is due within more than one year. The following table summarizes the bonds outstanding.

	Table 7		
	Balance	Balance	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>(Decrease)</u>
EPA Asbestos Loan	\$416,848	\$483,656	(\$66,808)
Facility Construction Bonds	\$4,500,000	\$4,625,000	(\$125,000)

Other Contractual Obligations

The District's accrued liabilities are not reported in the cash basis of accounting statements. However, as of June 30, 2006, the District's governmental funds had employment contract obligations remaining of \$360,424 for accrued wages and medicare. The District had \$5,219,267 in unrestricted net assets to cover this obligation in the governmental funds.

As of June 30, 2006 the District's business-type activities had employment contract obligations remaining of \$13,888 for accrued wages and medicare. The District had \$52,797 in unrestricted net assets to cover this obligation in the business-type activities.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)

**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.



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**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Net Assets - Cash Basis  
June 30, 2006

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,219,267	\$52,797	\$5,272,064
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$2,698,837		\$2,698,837
Debt Service	103,257		103,257
Set Asides	458,243		458,243
Other Purposes	666,671		666,671
Unrestricted	1,292,259	\$52,797	1,345,056
<i>Total Net Assets</i>	<u>\$5,219,267</u>	<u>\$52,797</u>	<u>\$5,272,064</u>

*See accompanying notes to the basic financial statements*

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
Current:						
Instruction:						
Regular	\$2,364,618	\$28,511	\$150,390	(\$2,185,717)		(\$2,185,717)
Special	792,399		2,500	(789,899)		(789,899)
Vocational	329,054		49,443	(279,611)		(279,611)
Support Services:						
Pupil	108,800		11,000	(97,800)		(97,800)
Instructional Staff	202,393		102,290	(100,103)		(100,103)
Board of Education	21,114			(21,114)		(21,114)
Administration	515,753			(515,753)		(515,753)
Fiscal	236,623			(236,623)		(236,623)
Operation and Maintenance of Plant	455,064			(455,064)		(455,064)
Pupil Transportation	324,959	3,416	4,377	(317,166)		(317,166)
Operation of Non-Instructional Services	135,510		174,375	38,865		38,865
Extracurricular Activities	247,552	115,565		(131,987)		(131,987)
Capital Outlay	3,735,938			(3,735,938)		(3,735,938)
Debt Repayment:						
Principal	191,808			(191,808)		(191,808)
Interest and Fiscal Charges	185,896			(185,896)		(185,896)
<i>Total Governmental Activities</i>	<u>9,847,481</u>	<u>147,492</u>	<u>494,375</u>	<u>(9,205,614)</u>		<u>(9,205,614)</u>
<b>Business-Type Activity</b>						
Food Service	310,930	205,820	118,388		13,278	13,278
<b>Total</b>	<u>\$10,158,411</u>	<u>\$353,312</u>	<u>\$612,763</u>	<u>(9,205,614)</u>	<u>13,278</u>	<u>(9,192,336)</u>
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes				2,011,877		2,011,877
Debt Service				320,806		320,806
Income Taxes Levied for:						
General Purposes				278,237		278,237
Capital Projects				139,118		139,118
Grants and Entitlements not Restricted to Specific Programs				2,784,696		2,784,696
Payments in Lieu of Taxes				258,372		258,372
Proceeds from Sale of Capital Assets				2,204		2,204
Interest				297,455	2,357	299,812
Donations				148,500		148,500
Miscellaneous				25,118		25,118
<i>Total General Receipts</i>				<u>6,266,383</u>	<u>2,357</u>	<u>6,268,740</u>
Change in Net Assets				(2,939,231)	15,635	(2,923,596)
<i>Net Assets Beginning of Year</i>				<u>8,158,498</u>	<u>37,162</u>	<u>8,195,660</u>
<i>Net Assets End of Year</i>				<u>\$5,219,267</u>	<u>\$52,797</u>	<u>\$5,272,064</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2006

	General	Permanent Improvement	Facility Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,732,939	\$1,265,806	\$1,433,031	\$769,928	\$5,201,704
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	17,563				17,563
<i>Total Assets</i>	<u>\$1,750,502</u>	<u>\$1,265,806</u>	<u>\$1,433,031</u>	<u>\$769,928</u>	<u>\$5,219,267</u>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	\$47,824	\$33,548	\$990,704	\$98,009	\$1,170,085
Unclaimed Monies	4,109				4,109
Budget Stabilization	17,563				17,563
Unreserved:					
Designated:					
Textbooks and Supplies	93,654				93,654
Capital Maintenance	57,841				57,841
Budget Stabilization	242,437				242,437
Undesignated, Reported in					
General Fund	1,287,074				1,287,074
Special Revenue Funds				399,990	399,990
Debt Service Fund				103,257	103,257
Capital Projects Funds		1,232,258	442,327		1,674,585
Permanent Funds				168,672	168,672
<i>Total Fund Balances</i>	<u>\$1,750,502</u>	<u>\$1,265,806</u>	<u>\$1,433,031</u>	<u>\$769,928</u>	<u>\$5,219,267</u>

*See accompanying notes to the basic financial statements*

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Cash Receipts, Disbursements and Changes in  
Fund Balances - Cash Basis - Governmental Funds  
For the Fiscal Year Ended June 30, 2006

	General	Permanent Improvement	Facility Construction	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property Taxes	2,011,877			\$320,807	\$2,332,684
Income Taxes	278,237	\$139,118			417,355
Payment in Lieu of Taxes		223,372		\$35,000	258,372
Intergovernmental	2,770,783			471,914	3,242,697
Interest	133,284	890	\$159,208	4,073	297,455
Tuition and Fees	25,947				25,947
Extracurricular Activities				119,829	119,829
Donations				148,500	148,500
Miscellaneous	25,118	2,500		35,589	63,207
<i>Total Receipts</i>	<u>5,245,246</u>	<u>365,880</u>	<u>159,208</u>	<u>1,135,712</u>	<u>6,906,046</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	2,192,811			171,807	2,364,618
Special	725,269			67,130	792,399
Vocational	318,697			10,356	329,053
Support Services:					
Pupil	82,436			26,365	108,801
Instructional Staff	61,525			140,868	202,393
Board of Education	21,114				21,114
Administration	515,753				515,753
Fiscal	224,798	2,284		9,541	236,623
Operation and Maintenance of Plant	455,064				455,064
Pupil Transportation	263,359			61,600	324,959
Operation of Non-Instructional Services				135,510	135,510
Extracurricular Activities	142,395			105,157	247,552
Capital Outlay		120,025	3,615,913		3,735,938
Debt Service:					
Principal Retirement		66,808		125,000	191,808
Interest and Fiscal Charges				185,896	185,896
<i>Total Disbursements</i>	<u>5,003,221</u>	<u>189,117</u>	<u>3,615,913</u>	<u>1,039,230</u>	<u>9,847,481</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	242,025	176,763	(3,456,705)	96,482	(2,941,435)
<b>Other Financing Sources (Uses)</b>					
Sale of Fixed Assets	2,204				2,204
Advance In	225,133			205,759	430,892
Advance Out	(205,759)			(225,133)	(430,892)
Transfers In				9,505	9,505
Transfers Out	(9,505)				(9,505)
<i>Total Other Financing Sources (Uses)</i>	<u>12,073</u>	<u>0</u>	<u>0</u>	<u>(9,869)</u>	<u>2,204</u>
<i>Net Change in Fund Balances</i>	254,098	176,763	(3,456,705)	86,613	(2,939,231)
<i>Fund Balances Beginning of Year</i>	1,496,404	1,089,043	4,889,736	683,315	8,158,498
<i>Fund Balances End of Year</i>	<u>\$1,750,502</u>	<u>\$1,265,806</u>	<u>\$1,433,031</u>	<u>\$769,928</u>	<u>\$5,219,267</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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$2,015,230	\$2,015,230	\$2,011,877	(\$3,353)
Income Taxes	269,163	269,163	278,237	9,074
Intergovernmental	2,737,620	2,737,620	2,770,783	33,163
Interest	60,000	60,000	133,284	73,284
Tuition and Fees	23,000	23,000	25,947	2,947
Miscellaneous	21,600	21,600	25,118	3,518
<i>Total receipts</i>	<u>5,126,613</u>	<u>5,126,613</u>	<u>5,245,246</u>	<u>118,633</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,311,830	3,459,765	2,221,070	1,238,695
Special	206,650	231,402	725,364	(493,962)
Vocational	92,720	103,640	320,123	(216,483)
Support Services:				
Pupil	9,200	9,950	82,436	(72,486)
Instructional Staff	64,565	64,665	61,525	3,140
Board of Education	6,950	6,950	21,114	(14,164)
Administration	517,881	517,881	515,753	2,128
Fiscal	93,057	93,057	224,798	(131,741)
Operation and Maintenance of Plant	366,064	366,064	465,324	(99,260)
Pupil Transportation	241,859	241,859	271,144	(29,285)
Extracurricular Activities	112,158	112,158	142,395	(30,237)
<i>Total Disbursements</i>	<u>5,022,934</u>	<u>5,207,391</u>	<u>5,051,046</u>	<u>156,345</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>103,679</u>	<u>(80,778)</u>	<u>194,200</u>	<u>274,978</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets			2,204	2,204
Advances In	231,000	231,000	225,133	(5,867)
Advances Out	(231,000)	(231,000)	(205,759)	25,241
Transfers In	247,856	247,856	212,000	(35,856)
Transfers Out	(248,256)	(248,256)	(221,505)	26,751
<i>Total Other Financing Sources (Uses)</i>	<u>(400)</u>	<u>(400)</u>	<u>12,073</u>	<u>12,473</u>
<i>Net Change in Fund Balance</i>	103,279	(81,178)	206,273	287,451
<i>Fund Balance Beginning of Year</i>	1,364,885	1,364,885	1,364,885	0
<i>Prior Year Encumbrances Appropriated</i>	131,520	131,520	131,520	0
<i>Fund Balance End of Year</i>	<u>\$1,599,684</u>	<u>\$1,415,227</u>	<u>\$1,702,678</u>	<u>\$287,451</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Fund Net Assets - Cash Basis  
Proprietary Funds  
June 30, 2006

	<u>Food Service Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$52,797</u></u>
<b>Net Assets</b>	
Unrestricted	<u>52,797</u>
<i>Total Net Assets</i>	<u><u>\$52,797</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 - Cash Basis - Proprietary Funds  
For the Fiscal Year Ended June 30, 2006

	Food Service Fund
<b>Operating Receipts</b>	
Charges for Services	\$205,820
<b>Operating Disbursements</b>	
Personal Services	176,249
Materials and Supplies	125,779
Contract Services	8,902
<i>Total Operating Disbursements</i>	310,930
<i>Operating Loss</i>	(105,110)
<b>Non-Operating Receipts/(Disbursements):</b>	
Interest	2,357
Intergovernmental Revenue	118,388
<i>Total Non-Operating Receipts/(Disbursements)</i>	120,745
<i>Changes in Net Assets</i>	15,635
Net Assets - Beginning of Year	37,162
<i>Net Assets - End of Year</i>	\$ 52,797

*See accompanying notes to the basic financial statements*



**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
June 30, 2006

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$153,171	\$16,268
<b>Net Assets</b>		
Held for Student Activities		16,268
Held in Trust for Scholarships	153,171	
Total Net Assets	\$153,171	\$16,268

*See accompanying notes to the basic financial statements*

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2006

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$ 319
<b>Deductions</b>	
Scholarship Payments	<u>6,000</u>
<i>Change in Net Assets</i>	(5,681)
<i>Net Assets Beginning of Year</i>	<u>158,852</u>
<i>Net Assets End of Year</i>	<u><u>\$ 153,171</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, 2006**

**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 564<sup>th</sup> largest in the State of Ohio (among 615 school districts) in terms of enrollment. The District is staffed by 28 classified employees, 48 certified teaching personnel, and 4 administrative employees who provide services to 679 students and other community members. The District currently operates one elementary, middle and high school.

***Reporting Entity***

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

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

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

The District's reporting entity includes the following:

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

The District participates in 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, 2006  
(Continued)

**Note 2 - Summary of Significant Accounting Policies**

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

**Fund Financial Statements**

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

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental, proprietary or fiduciary.

**Governmental Funds**

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

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

**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 or enterprise 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 accounts for food service operations and operates similar to a business enterprise, where user charges (i.e. charges for services) provide significant resources for the activity. The District classifies this fund as an Enterprise fund.

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

**C. Basis of Accounting**

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

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

***D. Cash, Cash Equivalents and Investments***

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

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

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

During 2006, the School District invested in STAR Ohio, certificates of deposit, money market deposit accounts and savings accounts.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited during fiscal year 2006 was as follows: General Fund \$133,284, Permanent Improvement Fund \$890, Facility Construction Fund \$159,208, Trust Funds \$319, Special Revenue Funds \$4,073, and Food Service Fund \$2,357.

***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, 2006, 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 cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 2 - Summary of Significant Accounting Policies (continued)**

***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 cash basis of accounting.

***I. Long-term Obligations***

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

***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. Also reserved at year end was \$1,170,085 for encumbrances and \$4,109 for unclaimed monies. The District also has designated additional fund balances of \$242,437, \$93,654 and \$57,841 for budget stabilization, instructional textbooks and supplies, 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.

***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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 2 - Summary of Significant Accounting Policies (continued)**

***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 2006.

***N. Budgetary Process***

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

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

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

**Note 3 – 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 cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$47,824 in the general fund, most of which were encumbered against set-aside funds.



**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 3 – Budgetary Basis of Accounting and Compliance (continued)**

**Compliance**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net 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;
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;

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 4 – Deposits and Investments (continued)**

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, 2006 the District had \$750 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, 2006, \$5,268,087 of the District's bank balance of \$5,668,087 was exposed to custodial risk as discussed below, while \$400,000 was covered by Federal Deposit Insurance Corporation.

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

**Investments**

As of June 30, 2006, the District had the following investments and maturities:

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 4 – Deposits and Investments (continued)**

<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>
STAR Ohio	\$ 1,300,567	\$ 1,300,567	-
Total	\$ 1,300,567	\$ 1,300,567	\$ -

*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:* 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, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 1,300,567	100.00
Total	\$ 1,300,567	100.00

**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.

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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 5 – Property Taxes (continued)**

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-two 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. HB 66, passed by the Ohio Legislature in June 2005, implemented a phase-out of tangible personal property. The phase-out of tangible personal property will decrease the District's taxable valuation and associated tangible personal property tax revenue. The tangible personal property phase-out will be complete by fiscal year 2010; the District will receive its last tangible personal property tax collection in October, 2008, fiscal year 2009.

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, 2006, are available to finance fiscal year 2006 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, 2006 was \$153,234 in the general fund, \$26,384 in the bond retirement fund.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$37,569,350	51.65%	\$39,037,550	57.59%
Industrial/Commercial	4,352,920	5.98%	5,076,260	7.49%
Public Utility	5,988,260	8.23%	6,456,310	9.52%
Tangible Personal Property	<u>24,829,040</u>	<u>34.14%</u>	<u>17,222,081</u>	<u>25.40%</u>
Total Assessed Value	<u>\$72,739,570</u>	<u>100.00%</u>	<u>\$67,792,201</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.47		\$38.47	

**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 \$278,237 and \$139,118, respectively, for fiscal year 2006.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 7 – Interfund Balances**

At June 30, 2006 the District had no interfund advances outstanding from the general fund:

**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 School District's policy. SORSA covers the following risks:

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

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

SORSA financial statements are available by contacting SORSA at:

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

**B. 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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 8 – Risk Management (continued)**

***C. Workers' Compensation***

For fiscal year 2006 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**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, 10.58 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, 2006, 2005 and 2004 were \$91,380, \$72,398, and \$60,042; 65.31 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

***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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 9 – Defined Benefit Pension Plans (continued)**

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, 2006, 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, 2006, 2005, and 2004 were \$344,148 \$308,253, and \$344,561; 53.82 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. 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, 2006, three Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(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, 2006, 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 \$24,582 fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$490,122,000 and STRS had 119,184 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, 2006, employer contributions to fund health care benefits were 3.42 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 2006, the minimum pay was established at \$35,800. 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 2006 fiscal year, District paid \$32,435 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, 2006, 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  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 11 – Debt**

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

	Principal Outstanding 6/30/2005	Additions	Reductions	Principal Outstanding 6/30/2006	Amount Due in One Year
<b>Governmental Activities</b>					
EPA Asbestos Removal Note (0%)	\$483,656		\$66,808	\$416,848	\$66,808
Facility Construction Bonds (4.41%)	4,625,000		125,000	4,500,000	130,000
<b>Total</b>	<u>\$5,108,656</u>		<u>\$191,808</u>	<u>\$4,916,848</u>	<u>\$196,808</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, 2006 are as follows:

Fiscal Year Ending June 30	Asbestos Loan	Facility Construction Bonds		Total
	Principal	Principal	Interest	
2007	\$66,808	\$130,000	\$183,638	\$380,446
2008	66,808	130,000	181,038	377,846
2009	66,808	130,000	178,438	375,246
2010	66,808	140,000	175,528	382,336
2011	66,808	140,000	172,168	378,976
2012-1016	82,808	800,000	793,193	1,676,001
2017-2021		1,015,000	636,115	1,651,115
2022-2026		1,390,000	340,250	1,730,250
2027-2028		625,000	30,375	655,375
<b>Total</b>	<u>\$416,848</u>	<u>\$4,500,000</u>	<u>\$2,690,743</u>	<u>\$7,607,591</u>

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(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 2006, 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, 2005	(\$400,416)		\$17,563
Current year set-aside requirements	95,518	\$95,518	
Qualifying Disbursements	(208,859)	(183,662)	
Set-aside Reserve Balance as of June 30, 2006	(\$513,757)	(\$88,144)	\$17,563
Amount Carried Forward to Fiscal year 2007	(\$513,757)		\$17,563

Due to incorrect balances and information in the prior audit report, the beginning balance figures do not match the prior year ending balance figures. Negative fund balance figures in the table above indicate the cumulative amount of qualified disbursements in excess of set-aside requirements, thus requiring no reservation of fund balance.

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, 2006. The following table summarizes the additional deposits and related disbursements made during fiscal year 2006. The balances as of June 30, 2005 were also adjusted due to incorrect balances in the previous audit report.

	Instructional Materials Reserve	Capital Maintenance Reserve	Budget Reserve	Total
Balance at June 30, 2005	\$197,470	\$85,776	\$242,437	\$525,683
Additional Deposits FY06	38,482	78,000		116,482
Expenditures Against Designated Amounts	(113,341)	(88,144)		(201,485)
Encumbrances Against Designated Amounts	(28,957)	(17,791)		(46,748)
Total	\$93,654	\$57,841	\$242,437	\$393,932

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)

**Note 13 – Contractual Commitments**

At June 30, 2006 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 plus reimbursements and as of June 30, 2006, the District had paid \$495,870 on the contract leaving \$5,000 still owed.

At June 30, 2006 the District had contractual commitments outstanding related to the District's facility construction project as follows: Mel Lanzer Company \$751,773, County Enterprises, Inc \$116,857, Fitzenrider, Inc. \$56,008, Vulcan Enterprises, Inc. \$24,181, Skelton's, Inc. \$21,582, LR Babcock Plumbing and Heating, Inc. \$33,275, Findlay Telecom, Inc. \$44,500, Microman, Inc. \$16,079, and Pro-Onsite Technology \$59,800.

**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, 2006 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.

**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.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland, OH 44113-1306  
Office phone - (216) 575-1630  
Fax (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Leipsic Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 30, 2007, wherein we noted the District followed a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2006-LLSD-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2006-LLSD-01.

We noted certain matters that we have reported to the management of the District in a separate letter dated November 30, 2007.

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

***Charles E. Harris & Associates, Inc.***

November 30, 2007

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY  
SCHEDULE OF FINDINGS  
June 30, 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-LLSD-01 – Non-compliance citation**

Ohio Revised Code Section 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 Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit entity-wide statements, and assets, liabilities, fund equities 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.

The District does not intend to report in accordance with generally accepted accounting principles.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
<b>2005-001</b>	<b>Ohio Administrative Code Section 117-2- 03 (B)-The District did not report their financial statements on a GAAP basis</b>	<b>No</b>	<b>Not Corrected-See Finding 2006-LLSD- 01</b>







**Mary Taylor, CPA**  
Auditor of State

**LEIPSIC LOCAL SCHOOL DISTRICT**  
**PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MARCH 18, 2008**