

LEIPSIC LOCAL SCHOOL DISTRICT

PUTNAM COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2008

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, 2007 through June 30, 2008. 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 17, 2010

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LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO
Audit Report
For the year ended June 30, 2008

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

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, 2008. 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, 2008, 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, 2009 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, 2009

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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, 2008, 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 2008 are as follows:

Net assets of governmental activities increased \$863,536, or 19.25 percent, from the prior year.

Net assets of business type activities increased \$10,086, or 20.10 percent, from the prior year.

The District's general governmental receipts were \$6,505,631 or 88.63 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 \$834,775 or 12.89 percent of total revenues of \$7,340,406.

The District's business type general receipts were \$2,341 or 0.68 percent of all revenue, these being primarily interest earnings. Program specific revenues in the form of charges for services and operating grants accounted for \$340,194 or 99.32 percent of total revenues of \$342,535.

The District had \$6,476,870 in expenses related to governmental activities: only \$834,775 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 \$6,505,631 were adequate to provide for these programs.

The District had \$332,449 in expenses related to business type activities, these expenses were offset by program specific charges for services and operating grants of \$340,194. The District also had \$2,341 in general revenues and a cash balance of \$50,179 which were adequate to provide for these programs.

The District's major governmental funds were the general and permanent improvement funds. The major funds had \$6,231,095 and \$375,656, respectively, in revenues and other financing sources, and \$5,562,720 and \$125,899, respectively, in expenditures and other uses. During fiscal year 2008, the major funds' balances, increased by \$668,375 in the General Fund and \$249,757 in Permanent Improvement Fund.

The District's business type food service fund had \$342,535 in revenue and \$332,449 in expenses. During fiscal year 2008 the food service fund balance increased \$10,086 from \$50,179 to \$60,265.

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, 2008
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 2008, 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, 2008
UNAUDITED
(Continued)

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

Reporting the District's Most Significant Funds

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2008 compared to fiscal year 2007 on another comprehensive basis of accounting.

Table 1
Net Assets

	Governmental Activities 2008	Governmental Activities 2007	Business Type Activities 2008	Business Type Activities 2007	Total Activities 2008	Total Activities 2007
Assets:						
Cash and Cash Equivalents	\$5,349,884	\$4,486,348	\$60,265	\$50,179	\$5,410,149	\$4,536,527
Net Assets:						
Restricted	3,722,785	3,559,928			3,722,785	3,559,928
Unrestricted	1,627,099	926,420	60,265	50,179	1,687,364	976,599
Total Net Assets	<u>\$5,349,884</u>	<u>\$4,486,348</u>	<u>\$60,265</u>	<u>\$50,179</u>	<u>\$5,410,149</u>	<u>\$4,536,527</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At year-end, net assets were \$5,349,884 for governmental activities and \$60,265 for business type activities.

A portion of the District's net assets, \$3,722,785, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,627,099 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, 2008
UNAUDITED
(Continued)

Table 2

	Governmental Activities 2008	Bus.Type Activities 2008	Governmental Activities 2007	Bus. Type Activities 2007
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$124,560	\$183,667	\$155,647	\$178,523
Operating Grants and Contributions	710,215	156,527	256,632	124,831
Total Program Receipts	<u>834,775</u>	<u>340,194</u>	<u>412,279</u>	<u>303,354</u>
General Receipts:				
Property Taxes Levied for General Purposes	1,552,883		1,747,220	
Property Taxes Levied for Debt Service	204,635		257,534	
School District Income Taxes for General Purposes	334,424		290,328	
School District Income Taxes for Capital Projects	167,212		145,164	
Payment in Lieu of Taxes	231,620		256,253	
Grants and Entitlements Not Restricted to Specific Programs	3,725,702		3,240,131	
Proceeds from Sale of Capital Assets	10,675			3,913
Donations	66,050		248,100	
Interest	193,288	2,341	222,885	3,019
Miscellaneous	19,142		18,265	
Total General Receipts	<u>\$6,505,631</u>	<u>\$2,341</u>	<u>\$6,425,880</u>	<u>\$6,932</u>
Total Receipts	<u>\$7,340,406</u>	<u>\$342,535</u>	<u>\$6,838,159</u>	<u>\$310,286</u>
Disbursements:				
Instruction:				
Regular	2,563,021		\$2,547,158	
Special	762,481		787,029	
Vocational	325,057		320,700	
Support Services:				
Pupil	97,114		87,898	
Instructional Staff	285,184		269,313	
Board of Education	20,101		19,947	
Administration	482,237		451,192	
Fiscal	248,418		214,719	
Operation and Maintenance of Plant	524,960		523,236	
Pupil Transportation	320,168		239,861	
Operation of non-instructional services	123,562		134,867	
Food Services		332,449		\$312,904
Extracurricular Activities	263,522		269,429	
Capital Outlay	83,305		1,325,293	
Debt Service				
Principal	196,808		196,808	
Interest and Fiscal Charges	180,932		183,628	
Total Disbursements	<u>6,476,870</u>	<u>332,449</u>	<u>7,571,078</u>	<u>312,904</u>
Increase (Decrease) in Net Assets	863,536	10,086	(732,919)	(2,618)
Net Assets, July 1	<u>4,486,348</u>	<u>50,179</u>	<u>5,219,267</u>	<u>52,797</u>
Net Assets, June 30	<u>\$5,349,884</u>	<u>\$60,265</u>	<u>\$4,486,348</u>	<u>\$50,179</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)

Net assets of the District's governmental activities increased \$863,536. Total governmental expenses of \$6,476,870 were offset by program revenues of \$834,775 and general revenues of \$6,505,631. Program revenues supported 12.98 percent of the total governmental expenses.

The primary sources of revenue for the governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 92 percent of total governmental revenue. Real estate property is reappraised every six years.

Net assets of the District's business type activities increased \$10,086. Total business type expenses of \$332,449 were offset by program revenues of \$340,194 and general revenues of \$2,341.

Governmental and Business Type Activities

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

Table 3

	Governmental Activities		Business Type Activities		Governmental Activities		Business Type Activities	
	Total Cost	Net Cost of	Total Cost	Net Cost of	Total Cost of	Net Cost of	Total Cost of	Net Cost of
	of	Services	of	Services	Services	Services	Services	Services
	2008	2008	2008	2008	2007	2007	2007	2007
Current:								
Instruction:								
Regular	\$2,563,021	\$2,444,250			\$2,547,158	\$2,470,190		
Special	762,481	577,494			787,029	762,799		
Vocational	325,057	249,502			320,700	262,382		
Support Services:								
Pupil	97,114	86,114			87,898	82,898		
Instructional Staff	285,184	78,827			269,313	264,135		
Board of Education	20,101	20,101			19,947	19,947		
Administration	482,237	482,237			451,192	451,192		
Fiscal	248,418	248,418			214,719	214,719		
Operation & Maintenance of Plant	524,960	524,960			523,236	523,236		
Pupil Transportation	320,168	314,140			239,861	224,935		
Operation of non-instructional serv.	123,562	(8,283)			134,867	25,523		
Operation of Food Services			\$332,449	(7,745)			\$312,904	9,550
Extracurricular Activities	263,522	163,290			269,429	151,114		
Capital Outlay	83,305	83,305			1,325,293	1,325,293		
Debt Service								
Principal	196,808	196,808			196,808	196,808		
Interest and Fiscal Charges	180,932	180,932			183,628	183,628		
Total Disbursements	\$6,476,870	\$5,642,095	\$332,449	(\$7,745)	\$7,571,078	\$7,158,799	\$312,904	\$9,550

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)

The dependence upon tax receipts and unrestricted state entitlements is apparent, 89.6 percent of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 92.4 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 \$5,410,149 is greater than last year's total of \$4,536,527. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

Table 4

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)
General	\$2,078,306	\$1,409,931	\$668,375
Permanent Improvement	2,252,879	2,003,122	249,757
Other Governmental	1,018,699	1,073,295	(54,596)
Food Service	60,265	50,179	10,086
Total Fund Balance	\$5,410,149	\$4,536,527	\$873,622

General Fund

The District's general fund's balance increased by \$668,375.

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

Table 5

	2008 Amount	2007 Amount
Revenues		
Taxes	\$1,887,307	\$2,037,548
Intergovernmental	3,669,480	3,163,220
Earnings on Investments	190,314	189,697
Tuition and Fees	24,047	27,304
Miscellaneous	19,142	18,265
Total Revenue	\$5,790,290	\$5,436,034
Expenditures		
Instruction	\$3,430,604	\$3,306,035
Support Services	1,743,604	1,615,641
Extracurricular activities	152,051	148,269
Total Expenditures	\$5,326,259	\$5,069,945
Other Sources (Uses)		
Advances In/(Out) – Net	\$204,833	\$(206,660)
Transfers In/(Out) – Net	(489)	(500,000)
Total Other Sources (Uses)	\$204,344	\$(706,660)

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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 2008, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts, in the amount of \$6,290,925, were the amount of the original budgeted revenue estimate of \$6,290,925. Actual revenues and other financing sources for fiscal year 2008 was \$6,231,095. This represents a \$59,830 decrease from final budgeted revenues.

General Fund final budgeted appropriations (appropriated expenditures plus other financing uses) of \$5,922,089 were \$771 less than the original budget amount of \$5,922,860. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$5,619,683 which was \$302,406 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, 2008, the District had \$283,232 outstanding on an interest free United States EPA Asbestos Abatement Loan. Of this total, \$66,808 is due within one year and \$216,424 is due within more than one year. In addition, the District had \$4,240,000 in facility construction bonds outstanding. Of this total, \$130,000 is due within one year and \$4,110,000 is due within more than one year. The following table summarizes the bonds outstanding.

	<u>Table 7</u>		
	<u>Balance</u>	<u>Balance</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>(Decrease)</u>
EPA Asbestos Loan	\$283,232	\$350,040	(\$66,808)
Facility Construction Bonds	\$4,240,000	\$4,370,000	(\$130,000)

Other Contractual Obligations

The District's accrued liabilities are not reported in the other comprehensive basis of accounting statements. However, as of June 30, 2008, the District's governmental funds had employment contract obligations remaining of \$431,373 for accrued wages and Medicare. The District had \$1,627,099 in unrestricted net assets to cover this obligation in the governmental funds.

As of June 30, 2008 the District's business-type activities had employment contract obligations remaining of \$14,525 in accrued wages and Medicare. The District had \$60,265 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, 2008
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(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, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,349,884	\$60,265	\$5,410,149
Net Assets			
Restricted for:			
Capital Projects	\$2,422,403		\$2,422,403
Debt Service	197,913		197,913
Set Asides	451,207		451,207
Other Purposes	651,262		651,262
Unrestricted	1,627,099	\$60,265	1,687,364
<i>Total Net Assets</i>	<u>\$5,349,884</u>	<u>\$60,265</u>	<u>\$5,410,149</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, 2008

	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
Governmental Activities						
Current:						
Instruction:						
Regular	\$ 2,563,021	\$ 24,047	\$ 94,724	\$ (2,444,250)		\$ (2,444,250)
Special	762,481	5,721	179,266	(577,494)		(577,494)
Vocational	325,057		75,555	(249,502)		(249,502)
Support Services:						
Pupil	97,114		11,000	(86,114)		(86,114)
Instructional Staff	285,184		206,357	(78,827)		(78,827)
Board of Education	20,101			(20,101)		(20,101)
Administration	482,237			(482,237)		(482,237)
Fiscal	248,418			(248,418)		(248,418)
Operation and Maintenance of Plant	524,960			(524,960)		(524,960)
Pupil Transportation	320,168	839	5,189	(314,140)		(314,140)
Operation of Non-Instructional Services	123,562		131,845	8,283		8,283
Extracurricular Activities	263,522	93,953	6,279	(163,290)		(163,290)
Capital Outlay	83,305			(83,305)		(83,305)
Debt Repayment:						
Principal	196,808			(196,808)		(196,808)
Interest and Fiscal Charges	180,932			(180,932)		(180,932)
<i>Total Governmental Activities</i>	<u>6,476,870</u>	<u>124,560</u>	<u>710,215</u>	<u>(5,642,095)</u>	<u>-</u>	<u>(5,642,095)</u>
Business-Type Activity						
Food Service	332,449	183,667	156,527		\$ 7,745	7,745
Total	<u>\$ 6,809,319</u>	<u>\$ 308,227</u>	<u>\$ 866,742</u>	<u>\$ (5,642,095)</u>	<u>\$ 7,745</u>	<u>\$ (5,634,350)</u>
General Receipts						
Property Taxes Levied for:						
General Purposes				1,552,883		1,552,883
Debt Service				204,635		204,635
Income Taxes Levied for:						
General Purposes				334,424		334,424
Capital Projects				167,212		167,212
Grants and Entitlements not Restricted to Specific Program				3,725,702		3,725,702
Payments in Lieu of Taxes				231,620		231,620
Proceeds from Sale of Capital Assets				10,675		10,675
Interest				193,288	2,341	195,629
Donations				66,050		66,050
Miscellaneous				19,142		19,142
<i>Total General Receipts</i>				<u>6,505,631</u>	<u>2,341</u>	<u>6,507,972</u>
Change in Net Assets				863,536	10,086	873,622
<i>Net Assets Beginning of Year</i>				<u>4,486,348</u>	<u>50,179</u>	<u>4,536,527</u>
<i>Net Assets End of Year</i>				<u>\$ 5,349,884</u>	<u>\$ 60,265</u>	<u>\$ 5,410,149</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, 2008

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,060,743	\$2,252,879	\$1,018,699	\$5,332,321
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	17,563			17,563
<i>Total Assets</i>	<u>\$2,078,306</u>	<u>\$2,252,879</u>	<u>\$1,018,699</u>	<u>\$5,349,884</u>
Fund Balances				
Reserved for:				
Encumbrances	\$56,965	\$19,893	\$41,139	\$117,997
Unclaimed Monies	4,293			4,293
Budget Stabilization	17,563			17,563
Unreserved:				
Designated:				
Textbooks and Supplies	82,741			82,741
Capital Maintenance	81,466			81,466
Budget Stabilization	269,437			269,437
Undesignated, Reported in				
General Fund	1,565,841			1,565,841
Special Revenue Funds			610,123	610,123
Debt Service Fund			197,913	197,913
Capital Projects Funds		2,232,986	169,524	2,402,510
<i>Total Fund Balances</i>	<u>\$2,078,306</u>	<u>\$2,252,879</u>	<u>\$1,018,699</u>	<u>\$5,349,884</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, 2008

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$ 1,552,883		\$ 204,635	\$ 1,757,518
Income Taxes	334,424	\$ 167,212		501,636
Payment in Lieu of Taxes		196,620	35,000	231,620
Intergovernmental	3,669,480		748,111	4,417,591
Interest	190,314	1,149	6,828	198,291
Tuition and Fees	24,047			24,047
Extracurricular Activities			110,872	110,872
Donations			66,050	66,050
Miscellaneous	19,142		2,964	22,106
<i>Total Receipts</i>	<u>5,790,290</u>	<u>364,981</u>	<u>1,174,460</u>	<u>7,329,731</u>
Disbursements				
Current:				
Instruction:				
Regular	2,449,275		113,746	2,563,021
Special	670,314		92,167	762,481
Vocational	311,015		14,042	325,057
Support Services:				
Pupil	88,101		9,013	97,114
Instructional Staff	140,937		144,247	285,184
Board of Education	20,101			20,101
Administration	482,237			482,237
Fiscal	239,000	2,737	6,681	248,418
Operation and Maintenance of Plant	524,960			524,960
Pupil Transportation	248,268		71,900	320,168
Operation of Non-Instructional Services			123,562	123,562
Extracurricular Activities	152,051		111,471	263,522
Capital Outlay		56,354	26,951	83,305
Debt Service:				
Principal Retirement		66,808	130,000	196,808
Interest and Fiscal Charges			180,932	180,932
<i>Total Disbursements</i>	<u>5,326,259</u>	<u>125,899</u>	<u>1,024,712</u>	<u>6,476,870</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>464,031</u>	<u>239,082</u>	<u>149,748</u>	<u>852,861</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets		10,675		10,675
Advance In	440,805		235,972	676,777
Advance Out	(235,972)		(440,805)	(676,777)
Transfers In			489	489
Transfers Out	(489)			(489)
<i>Total Other Financing Sources (Uses)</i>	<u>204,344</u>	<u>10,675</u>	<u>(204,344)</u>	<u>10,675</u>
<i>Net Change in Fund Balances</i>	668,375	249,757	(54,596)	863,536
<i>Fund Balances Beginning of Year</i>	<u>1,409,931</u>	<u>2,003,122</u>	<u>1,073,295</u>	<u>4,486,348</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,078,306</u>	<u>\$ 2,252,879</u>	<u>\$ 1,018,699</u>	<u>5,349,884</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance
Budget and Actual Comparison -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$ 1,468,809	\$ 1,468,809	\$ 1,552,883	\$ 84,074
Income Taxes	297,876	297,876	334,424	36,548
Intergovernmental	3,626,960	3,626,960	3,669,480	42,520
Interest	144,000	144,000	190,314	46,314
Tuition and Fees	25,000	25,000	24,047	(953)
Miscellaneous	22,700	22,700	19,142	(3,558)
<i>Total receipts</i>	<u>5,585,345</u>	<u>5,585,345</u>	<u>5,790,290</u>	<u>204,945</u>
Disbursements				
Current:				
Instruction:				
Regular	4,371,027	2,562,016	2,493,040	68,976
Special	234,593	631,933	670,802	(38,869)
Vocational	59,406	372,539	318,611	53,928
Support Services:				
Pupil	96,458	88,498	88,493	5
Instructional Staff	24,144	110,877	144,362	(33,485)
Board of Education	6,650	24,146	20,101	4,045
Administration	58,077	447,751	482,422	(34,671)
Fiscal	83,853	233,148	239,195	(6,047)
Operation and Maintenance of Plant	306,238	549,249	525,877	23,372
Pupil Transportation	75,722	257,746	248,268	9,478
Extracurricular Activities	107,025	124,186	152,051	(27,865)
<i>Total Disbursements</i>	<u>5,423,193</u>	<u>5,402,089</u>	<u>5,383,222</u>	<u>18,867</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>162,152</u>	<u>183,256</u>	<u>407,068</u>	<u>223,812</u>
Other Financing Sources (Uses)				
Advances In	451,313	451,313	440,805	(10,508)
Advances Out	(245,000)	(245,000)	(235,972)	9,028
Transfers In	254,267	254,267	-	(254,267)
Transfers Out	(254,667)	(275,000)	(489)	274,511
<i>Total Other Financing Sources (Uses)</i>	<u>205,913</u>	<u>185,580</u>	<u>204,344</u>	<u>18,764</u>
<i>Net Change in Fund Balance</i>	368,065	368,836	611,412	242,576
<i>Fund Balance Beginning of Year</i>	1,348,841	1,348,841	1,348,841	-
<i>Prior Year Encumbrances Appropriated</i>	61,089	61,089	61,089	-
<i>Fund Balance End of Year</i>	<u>\$ 1,777,995</u>	<u>\$ 1,778,766</u>	<u>\$ 2,021,342</u>	<u>\$ 242,576</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, 2008

	<u>Food Service Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 60,265</u>
Net Assets	
Unrestricted	<u>60,265</u>
<i>Total Net Assets</i>	<u>\$ 60,265</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, 2008

	Food Service Fund
Operating Receipts	
Charges for Services	\$ 183,667
Operating Disbursements	
Personal Services	183,747
Materials and Supplies	148,702
<i>Total Operating Disbursements</i>	332,449
<i>Operating Loss</i>	(148,782)
Non-Operating Receipts/(Disbursements):	
Interest	2,341
Intergovernmental Revenue	156,527
<i>Total Non-Operating Receipts/(Disbursements)</i>	158,868
<i>Changes in Net Assets</i>	10,086
Net Assets - Beginning of Year	50,179
<i>Net Assets - End of Year</i>	\$ 60,265

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, 2008

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 144,628	\$ 19,747
Net Assets		
Held for Student Activities	-	19,747
Held in Trust for Scholarships	144,628	-
Total Net Assets	\$ 144,628	\$ 19,747

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, 2008

	<u>Private Purpose Trust</u>
Additions	
Interest	\$ 485
Deductions	
Scholarship Payments	<u>1,000</u>
<i>Change in Net Assets</i>	(515)
<i>Net Assets Beginning of Year</i>	<u>145,143</u>
<i>Net Assets End of Year</i>	<u><u>\$ 144,628</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, 2008**

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 Bellmore, Leipsic, and West Leipsic also portions of Blanchard, Ottawa, Liberty, Palmer and Van Buren Townships. The District is the 555th largest in the State of Ohio (among 614 school districts) in terms of enrollment. The District is staffed by 28 classified employees, 52 certified teaching personnel, and 4 administrative employees who provide services to 696 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 Government 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, 2008
(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 Governmental or 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 non-exchange 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, 2008
(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 non-exchange 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 fund).

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, 2008
(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 2008, 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, 2008.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited during fiscal year 2008 was as follows: General Fund \$190,314, Permanent Improvement Fund \$1,149, Facility Construction Fund \$1,825, Special Revenue Funds \$5,003, Trust Funds \$485 and Food Service Fund \$2,341.

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, 2008, the District had established a budget stabilization account amounting to \$287,000; 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, 2008
(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 \$117,997 for encumbrances and \$4,293 for unclaimed monies. The District also has designated additional fund balances of \$269,437, \$82,741 and \$81,466 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. Non-exchange 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, 2008
(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 2008.

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 \$56,965 in the general fund.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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, 2008
(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, 2008 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, 2008, \$4,655,923 of the District's bank balance of \$5,587,772 was exposed to custodial risk as discussed below, while \$931,849 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 is secured by collateral specifically pledged to the District by the financial institution.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

Note 4 – Deposits and Investments

Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
STAR Ohio	\$ 1,421,991	\$ 1,421,991	\$ -
Total	<u>\$ 1,421,991</u>	<u>\$ 1,421,991</u>	<u>\$ -</u>

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

Credit Risk: STAR Ohio carries a rating of AAA 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, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 1,421,991	100%
	<u>\$ 1,421,991</u>	<u>100%</u>

Note 5 – Property Taxes

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

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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

Note 5 – Property Taxes – (continued)

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2006. In the past, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty 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 of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In the calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar year 2011-2017, the reimbursements will be phased out.

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, 2008, are available to finance fiscal year 2008 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, 2008 was \$91,101 in the general fund, \$12,509 in the bond retirement fund. The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$39,808,970	59.04%	\$40,521,070	70.72%
Industrial/Commercial	5,608,600	8.32%	6,409,200	11.18%
Public Utility	6,017,480	8.92%	5,146,980	8.98%
Tangible Personal Property	15,995,205	23.72%	5,224,190	9.12%
Total Assessed Value	<u>\$67,430,255</u>	<u>100.00%</u>	<u>\$57,301,440</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.45		\$37.45	

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 \$334,424 and \$167,212, respectively, for fiscal year 2008.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

Note 7 – Interfund Transactions

At June 30, 2008 the District had the following inter-fund advances outstanding from the general fund:

<u>Fund</u>	<u>Outstanding advance</u>
Elementary Student Services	\$ 1,827
Total	<u>\$ 1,827</u>

The District made a transfer of \$489 from the General Fund to Other Governmental Funds for subsidy of normal operations. The Ohio Revised Code compliance requirements were met.

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 76 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the Leipsic Local District's policy. SORSA covers the following risks:

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

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

SORSA financial statements are available by contacting SORSA at:

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

B. Employee Medical Benefits

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

C. Workers' Compensation

For fiscal year 2008 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.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

Note 8 – Risk Management – (continued)

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 of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits: annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org, under *Forms and Publications*.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For Fiscal year ending 2008, it was determined the employer contribution rate to pension and death benefits to be 9.16%. The remaining 4.84% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the years ended June 30, 2008, 2007, and 2006 were \$97,087, \$93,792, and \$91,380 respectively. On June 30, 2008 the District owed a pension obligation to SERS of \$655.

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, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 a member's lifetime 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

Note 9 – Defined Benefit Pension Plans – (continued)

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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan 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, 2008, 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 STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$384,343, \$337,005, and \$344,148, respectfully. On June 30, 2008 the District owed a pension obligation to STRS of Ohio of \$9,583.

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, 2008, one Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

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, 2008, 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 \$27,453 in fiscal year 2008.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

Note 10 - Postemployment Benefits – (continued)

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2008, STRS Ohio had a net asset balance in the Fund of \$3.7 billion. For the fiscal year ended June 30, 2008, net health care costs paid by STRS were \$540,493,000 and STRS had 126,506 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar 2008 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B fund. For fiscal year 2008, the actuarially required allocation was 0.66%. The District contributions for the years ended June 30, 2008, 2007, and 2006 were \$4,577, \$4,396, and \$4,298, respectively, which equaled the required contributions each year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18%. The actuarially required contribution (ARC) as of the June 30, 2008 annual valuation is 13.41% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District contributions for the years ended June 30, 2008, 2007, and 2006 were \$39,447, \$37,889, and \$37,029, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

Note 10 - Postemployment Benefits – (continued)

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, OH 43215-3746 or by calling toll free (800)878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

Note 11 – Debt

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

	Principal Outstanding 06/30/2007	Additions	Reductions	Principal Outstanding 06/30/2008	Amount Due in One Year
Governmental Activities					
EPA Asbestos Removal Note (0%)	\$350,040		\$66,808	\$283,232	\$66,808
Facility Construction Bonds (4.41%)	4,370,000		130,000	4,240,000	130,000
Total	\$4,720,040		\$196,808	\$4,523,232	\$196,808

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, 2008 are as follows:

Fiscal Year Ending June 30	Asbestos Loan		Facility Construction Bonds		Total
	Principal		Principal	Interest	
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	66,808		145,000	168,388	380,196
2013	16,000		155,000	164,033	335,033
2014-1018			870,000	735,884	1,605,884
2019-2023			1,150,000	538,956	1,688,956
2024-2028			1,510,000	192,672	1,702,672
Total	\$283,232		\$4,240,000	\$2,326,067	\$6,849,299

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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 2008, 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-a-side Reserve Balance as of June 30, 2007	(\$529,016)		\$17,563
Current year set-aside requirements	101,454	\$101,454	
Current year off-sets		(101,454)	
Qualifying Disbursements	(154,772)	(107,626)	
Set-aside Reserve Balance as of June 30, 2008	(\$582,334)	(107,626)	\$17,563
Amount Carried Forward to Fiscal Year 2009	(\$582,334)	\$0	\$17,563

Negative fund balance figures in the table above indicate the cumulative amount of qualified expenditures in excess of set-aside requirements thus requiring no reservation of fund balance.

Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero, only the excess expenditures for the textbook reserve can be carried forward to the next fiscal year.

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, capital maintenance, and budget reserve as of June 30, 2008. The following table summarizes the additional deposits and related expenditures made during fiscal year 2008.

	Instructional Materials Reserve	Capital Maintenance Reserve	Budget Reserve	Total
Balance at June 30, 2007	\$82,130	\$80,496	\$242,437	\$405,063
Prior Year Encumbrances	51,853	9,032		60,885
Additional Deposits FY08	155,523	100,000	27,000	282,523
Expenditures Against Designated Amounts	(154,772)	(107,625)		(262,397)
Encumbrances Against Designated Amounts	(51,993)	(437)		(52,430)
Total	\$82,741	\$81,466	\$269,437	\$433,644

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

Note 13 – Contractual Commitments

At June 30, 2008 the District had no contractual commitments outstanding other than encumbrances for outstanding purchase orders totaling \$119,780.

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, 2008 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. Mary's 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 Ray Burden, 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

**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, 2008, and have issued our report thereon dated November 30, 2009, 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 2008-LLSD-01.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We noted certain matters that we have reported to the management of the District in a separate letter dated November 30, 2009.

This report is intended for the information and use of management, the audit committee 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, 2009

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
June 30, 2008**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2008-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 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, 2008**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-LLSD-01	Ohio Administrative Code Section 117-2- 03 (B)-The District did not report their financial statements on a GAAP basis	No	Not Corrected-See Finding 2008-LLSD- 01

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which are agreed to by the Board, solely to assist the Board in evaluating whether Leipsic Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 10, 2006.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974, "88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibiting incident that is reported;

- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administrator semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974, "88 Stat, 571 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board 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, 2009



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 30, 2010