



Dave Yost · Auditor of State

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio, as of June 30, 2015, and the respective changes in cash financial position, and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Federal Award Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion and Analysis. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Leipsic Local School District
Putnam County
Independent Auditor's Report
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A handwritten signature in black ink that reads "Dave Yost". The signature is fluid and cursive, with "Dave" on the top line and "Yost" on the bottom line.

Dave Yost
Auditor of State

Columbus, Ohio

January 11, 2016

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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, 2015, 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 2015 are as follows:

Net position of governmental activities decreased \$336,894, or 5.31 percent, from the prior year.

Net position of business type activities increased \$5,590, or 9.61 percent, from the prior year.

The District's general governmental receipts were \$5,344,707 or 74.40 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 \$1,839,150 or 25.60 percent of total revenues of \$7,183,857.

The District's business type general receipts were \$582 or 0.18 percent of all revenue, these being primarily interest and miscellaneous revenue. Program specific revenues in the form of charges for services and operating grants accounted for \$322,688 or 99.82 percent of total revenues of \$323,270.

The District had \$7,520,751 in expenses related to governmental activities: only \$1,839,150 of these expenses were offset by program specific charges for services and grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,344,707 were not adequate to provide for these programs.

The District had \$317,680 in expenses related to business type activities, these expenses were offset by program specific charges for services and operating grants of \$322,688. The District also had \$582 in general revenues and a beginning cash balance of \$58,146 which were adequate to provide for these programs.

The District's major governmental funds were the General Fund and the Permanent Improvement Fund. The major funds had \$7,221,557 and \$2,312,056, respectively, in revenues and other financing sources, and \$6,616,268 and \$1,386,974, respectively, in expenditures and other uses. During fiscal year 2015, the major funds' balances, increased by \$605,289 and \$925,082, respectively.

The District's business type Food Service Fund had \$323,270 in revenue and \$317,680 in expenses. During fiscal year 2015 the food service fund balance increased \$5,590 from \$58,146 to \$63,736.

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 Cash Basis of Accounting.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Report Components

The statement of net position 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 and Permanent Improvement 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 cash basis of accounting. Under the District's cash 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 cash 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 cash basis of accounting.

Reporting the District as a Whole

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2015, within the limitations of the cash basis of accounting. The statement of net position 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.

In the statement of net position and the statement of activities, the Governmental Activities include the District's programs and services including instruction, support services, non-instructional services,

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

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 programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

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

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2015 compared to fiscal year 2014 on another comprehensive basis of accounting.

**Table 1
Net Position**

| | Governmental Activities 2015 | Governmental Activities 2014 | Business Type Activities 2015 | Business Type Activities 2014 | Total Activities 2015 | Total Activities 2014 |
|---------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|--------------------------|--------------------------|
| Assets: | | | | | | |
| Cash and Cash Equivalents | \$6,010,989 | \$6,347,883 | \$63,736 | \$58,146 | \$6,074,725 | \$6,406,029 |

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Net Position:

| | | | | | | |
|--------------------|--------------------|--------------------|-----------------|-----------------|--------------------|--------------------|
| Restricted | 1,825,164 | 3,190,369 | 63,736 | 58,146 | 1,888,900 | 3,248,515 |
| Unrestricted | 4,185,825 | 3,157,514 | | | 4,185,825 | 3,157,514 |
| Total Net Position | <u>\$6,010,989</u> | <u>\$6,347,883</u> | <u>\$63,736</u> | <u>\$58,146</u> | <u>\$6,074,725</u> | <u>\$6,406,029</u> |

Over time, net position can serve as a useful indicator of a government's financial position. At year-end, net position was \$6,010,989 for governmental activities and \$63,736 for business type activities.

A portion of the District's net position for governmental activities, \$1,825,164, represents resources that are subject to external restriction on how they may be used. The remaining balance of net position for governmental activities of \$4,185,825 may be used to meet the District's ongoing obligations to the students and creditors. The entire business type net position total is restricted.

Table 2 reflects the changes in net position from the prior year:

Table 2

| | Business | | |
|--|--------------------|------------------|--------------------|
| | Governmental | Type | Business Type |
| | Activities | Activities | Activities |
| | 2015 | 2015 | 2014 |
| Receipts: | | | |
| Program Receipts: | | | |
| Charges for Services and Sales | \$435,346 | \$140,889 | \$182,893 |
| Operating Grants and Contributions | 1,403,804 | 181,799 | 1,725,512 |
| Capital Grants and Contributions | | | 35,362 |
| Total Program Receipts | <u>1,839,150</u> | <u>322,688</u> | <u>1,943,767</u> |
| General Receipts: | | | |
| Property Taxes Levied for General Purposes | 2,013,749 | | 1,780,757 |
| Property Taxes Levied for Debt Service | 222,853 | | 214,464 |
| School District Income Taxes for General Purposes | 389,011 | | 375,187 |
| School District Income Taxes for Capital Projects | 194,214 | | 187,312 |
| Payment in Lieu of Taxes | 148,676 | | 86,322 |
| Grants and Entitlements Not Restricted to Specific Programs | 3,211,057 | | 3,303,393 |
| Proceeds from Sale of Capital Assets | 950 | | |
| Refund of Prior Year Receipts | (947,573) | | |
| Donations | 92,500 | | 35,210 |
| Interest | 3,662 | 9 | 2,060 |
| Miscellaneous | 15,608 | 573 | 9,322 |
| Total General Receipts | <u>5,344,707</u> | <u>582</u> | <u>5,994,027</u> |
| Total Receipts | <u>\$7,183,857</u> | <u>\$323,270</u> | <u>\$7,937,794</u> |
| Disbursements: | | | |
| Instruction: | | | |
| Regular | 3,204,715 | | 3,152,921 |
| Special | 1,219,748 | | 1,172,073 |
| Vocational | 257,546 | | 270,988 |
| Support Services: | | | |
| Pupil | 98,738 | | 86,633 |

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

| | | | | |
|--|-------------|----------|-------------|----------|
| Instructional Staff | 89,556 | 87,130 | | |
| Board of Education | 20,851 | 23,207 | | |
| Administration | 519,869 | 520,392 | | |
| Fiscal | 272,212 | 275,092 | | |
| Operation and Maintenance of Plant | 591,991 | 562,048 | | |
| Pupil Transportation | 282,643 | 362,066 | | |
| Central Office | 69,919 | 58,376 | | |
| Food Services | | 317,680 | | 342,381 |
| Operation of Non-Instructional Service | 73,981 | 66,189 | | |
| Extracurricular Activities | 366,863 | 387,022 | | |
| Capital Outlay | 43,617 | 529,124 | | |
| Debt Service | | | | |
| Principal | 274,000 | 268,000 | | |
| Interest and Fiscal Charges | 134,502 | 124,791 | | |
| Total Disbursements | 7,520,751 | 317,680 | 7,946,052 | 342,381 |
| Increase (Decrease) in Net Position | (336,894) | 5,590 | (8,258) | 15,550 |
| Net Position, July 1 | 6,347,883 | 58,146 | 6,356,141 | 42,596 |
| Net Position, June 30 | \$6,010,989 | \$63,736 | \$6,347,883 | \$58,146 |

Net position of the District's governmental activities decreased \$336,894. Total governmental expenses of \$7,520,751 were offset by program revenues of \$1,839,150 and general revenues of \$5,344,707. Program revenues supported 24.45 percent of the total governmental expenses.

The primary sources of revenue for the governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 83.95 percent of total governmental revenue. Real estate property is reappraised every six years.

Net position of the District's business type activities increased \$5,590. Total business type expenses of \$317,680 were offset by program revenues of \$322,688 and general revenues of \$582.

Governmental and Business Type Activities

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

Table 3

| Governmental Activities | | Business Type Activities | | Governmental Activities | | Business Type Activities | |
|-------------------------|----------------------|--------------------------|----------------------|-------------------------|----------------------|--------------------------|----------------------|
| Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| 2015 | 2015 | 2015 | 2015 | 2014 | 2014 | 2014 | 2014 |
| | | | | | | | |

Current:

Instruction:

Regular

| | | | |
|--------------------|--------------------|--------------------|--------------------|
| \$3,204,715 | \$2,776,869 | \$3,152,921 | \$2,532,755 |
|--------------------|--------------------|--------------------|--------------------|

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

| | | | | | | |
|--------------------------------------|-------------|-------------|-----------|---------|-------------|-------------|
| Special | 1,219,748 | 425,787 | 1,172,073 | 413,595 | | |
| Vocational | 257,546 | 213,978 | 270,988 | 209,531 | | |
| Support Services: | | | | | | |
| Pupil | 98,738 | 95,138 | 86,633 | 83,033 | | |
| Instructional Staff | 89,556 | 81,969 | 87,130 | 61,891 | | |
| Board of Education | 20,851 | 20,851 | 23,207 | 23,207 | | |
| Administration | 519,869 | 519,869 | 520,392 | 520,392 | | |
| Fiscal | 272,212 | 272,212 | 275,092 | 275,092 | | |
| Operation & Maintenance of Plant | 591,991 | 565,336 | 562,048 | 542,099 | | |
| Pupil Transportation | 282,643 | 116,455 | 362,066 | 331,223 | | |
| Central Office | 69,919 | 69,919 | 58,376 | 58,376 | | |
| Operation of non-instructional serv. | 73,981 | 3,192 | 66,189 | (8,490) | | |
| Operation of Food Services | | \$317,680 | \$5,008 | | \$342,381 | \$14,683 |
| Extracurricular Activities | 366,863 | 216,559 | 387,022 | 214,618 | | |
| Capital Outlay | 43,617 | 35,096 | 529,124 | 491,772 | | |
| Debt Service | | | | | | |
| Principal | 274,000 | 133,869 | 268,000 | 128,400 | | |
| Interest and Fiscal Charges | 134,502 | 134.502 | 124,791 | 124,791 | | |
| Total Disbursements | \$7,520,751 | \$5,681,601 | \$317,680 | \$5,008 | \$7,946,052 | \$6,002,285 |
| | | | | | \$342,381 | \$14,683 |

The dependence upon tax receipts and unrestricted state entitlements is apparent, 72.97 percent of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 75.55 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. Fund balance in the General Fund increased \$605,289 largely due to increase in local property and income taxes and intergovernmental receipts. The \$925,082 increase in fund balance in the Permanent Improvement Fund was due to the building project being closed out and residual balances transferred to the Permanent Improvement Fund.

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 2015, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts and other financing sources, in the amount of \$7,207,152, were more than the amount of the original budgeted revenue and other financing sources estimate of \$7,028,624. Actual revenues and other financing sources for fiscal year 2015 was \$7,207,471. This represents a \$319 increase from final budgeted revenues.

General Fund final budgeted appropriations (appropriated expenditures plus other financing uses) of \$6,747,901 were \$84,514 less than the original budget amount of \$6,832,415. The actual budget basis

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
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(Continued)**

expenditures and other financing uses for fiscal year 2015 totaled \$6,703,909, which was \$43,992 less than the final budget appropriations.

Debt

At June 30, 2015, the District had outstanding debt of \$3,065,000 in facility construction bonds issued for the District portion of the new school building project; \$703,000 in a lease/purchase agreement. The lease/purchase was used to renovate the 1963 section of the current school building.

The lease/purchase is paid from the Permanent Improvement Fund, and the construction bonds are paid from the Debt Service Fund.

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 District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mr. David Miller, Treasurer, Leipsic Local School District, 232 Oak Street, Leipsic Ohio 45856-1312.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Net Position - Cash Basis
June 30, 2015

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------|----------------------------|-----------------------------|--------------------|
| Assets | | | |
| Equity in Pooled Cash and Investments | <u>\$6,010,989</u> | <u>\$63,736</u> | <u>\$6,074,725</u> |
| Net Position | | | |
| Restricted for: | | | |
| Capital Projects | 1,255,770 | | 1,255,770 |
| Debt Service | 404,792 | | 404,792 |
| Other Purposes | 147,039 | 63,736 | 210,775 |
| Set Asides | 17,563 | | 17,563 |
| Unrestricted | <u>4,185,825</u> | | <u>4,185,825</u> |
| <i>Total Net Position</i> | <u>\$6,010,989</u> | <u>\$63,736</u> | <u>\$6,074,725</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, 2015

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Position | |
|---|-----------------------|--------------------------------|------------------------------------|--|--------------------------|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities | Business-Type Activities |
| Governmental Activities | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | \$3,204,715 | \$282,083 | \$145,763 | (\$2,776,869) | (\$2,776,869) |
| Special | 1,219,748 | 7,408 | 786,553 | (425,787) | (425,787) |
| Vocational | 257,546 | | 43,568 | (213,978) | (213,978) |
| Support Services: | | | | | |
| Pupil | 98,738 | | 3,600 | (95,138) | (95,138) |
| Instructional Staff | 89,556 | | 7,587 | (81,969) | (81,969) |
| Board of Education | 20,851 | | | (20,851) | (20,851) |
| Administration | 519,869 | | | (519,869) | (519,869) |
| Fiscal | 272,212 | | | (272,212) | (272,212) |
| Operation and Maintenance of Plant | 591,991 | | 26,655 | (565,336) | (565,336) |
| Pupil Transportation | 282,643 | 1,677 | 164,511 | (116,455) | (116,455) |
| Central Office | 69,919 | | | (69,919) | (69,919) |
| Operation of Non-Instructional Services | 73,981 | | 70,789 | (3,192) | (3,192) |
| Extracurricular Activities | 366,863 | 144,178 | 6,126 | (216,559) | (216,559) |
| Capital Outlay | 43,617 | | 8,521 | (35,096) | (35,096) |
| Debt Repayment: | | | | | |
| Principal | 274,000 | | 140,131 | (133,869) | (133,869) |
| Interest and Fiscal Charges | 134,502 | | | (134,502) | (134,502) |
| <i>Total Governmental Activities</i> | <i>7,520,751</i> | <i>435,346</i> | <i>1,403,804</i> | <i>(5,681,601)</i> | <i>(5,681,601)</i> |
| Business-Type Activity | | | | | |
| Food Service | 317,680 | 140,889 | 181,799 | | \$5,008 |
| <i>Total</i> | <i>\$7,838,431</i> | <i>\$576,235</i> | <i>\$1,585,603</i> | <i>(5,681,601)</i> | <i>5,008</i> |
| General Receipts | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | 2,013,749 | | 2,013,749 |
| Debt Service | | | 222,853 | | 222,853 |
| Income Taxes Levied for: | | | | | |
| General Purposes | | | 389,011 | | 389,011 |
| Capital Projects | | | 194,214 | | 194,214 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | |
| Payments in Lieu of Taxes | | | 3,211,057 | | 3,211,057 |
| Proceeds from Sale of Capital Assets | | | 148,676 | | 148,676 |
| Refund of Prior Year Receipts | | | 950 | | 950 |
| Interest | | | (947,573) | | (947,573) |
| Donations | | | 3,662 | 9 | 3,671 |
| Miscellaneous | | | 92,500 | | 92,500 |
| <i>Total General Receipts</i> | | | <i>15,608</i> | <i>573</i> | <i>16,181</i> |
| | | | | | |
| | | | <i>5,344,707</i> | <i>582</i> | <i>5,345,289</i> |
| Change in Net Position | | | | | |
| | | | (336,894) | | 5,590 |
| <i>Net Position Beginning of Year</i> | | | <i>6,347,883</i> | <i>58,146</i> | <i>6,406,029</i> |
| <i>Net Position End of Year</i> | | | <i>\$6,010,989</i> | <i>\$63,736</i> | <i>\$6,074,725</i> |

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, 2015

| | General | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|--|---------------------------|---------------------------|--------------------------|---------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$4,012,616</u> | <u>\$1,150,284</u> | <u>\$848,089</u> | <u>\$6,010,989</u> |
| Fund Balances | | | | |
| Non-Spendable | 5,471 | | | 5,471 |
| Restricted for: | | | | |
| Capital Projects | | 1,011,523 | 244,247 | 1,255,770 |
| Set-a-sides | 17,563 | | | 17,563 |
| Debt Service | | | 404,792 | 404,792 |
| Other Purposes | | | 141,568 | 141,568 |
| Total Restricted | <u>17,563</u> | <u>1,011,523</u> | <u>790,607</u> | <u>1,819,693</u> |
| Committed for: | | | | |
| Capital Projects | | 138,761 | | 138,761 |
| Education Foundation | 21,356 | | 57,482 | 78,838 |
| Termination Benefits | <u>258,536</u> | | | <u>258,536</u> |
| Total Committed | <u>279,892</u> | <u>138,761</u> | <u>57,482</u> | <u>476,135</u> |
| Assigned for: | | | | |
| Encumbrances | 43,303 | | | 43,303 |
| Other Purposes | 10,762 | | | 10,762 |
| Total Assigned | <u>54,065</u> | | | <u>54,065</u> |
| Unassigned | 3,655,625 | | | 3,655,625 |
| <i>Total Fund Balances</i> | <u><i>\$4,012,616</i></u> | <u><i>\$1,150,284</i></u> | <u><i>\$848,089</i></u> | <u><i>\$6,010,989</i></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, 2015

| | General | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-----------------------|--------------------------|--------------------------|
| Receipts | | | | |
| Property Taxes | \$2,013,749 | | \$222,853 | \$2,236,602 |
| Income Taxes | 389,011 | \$194,214 | | 583,225 |
| Payment in Lieu of Taxes | | 148,676 | | 148,676 |
| Intergovernmental | 3,964,517 | 7,639 | 622,919 | 4,595,075 |
| Interest | 3,543 | 119 | 1,681 | 5,343 |
| Tuition and Fees | 289,491 | | | 289,491 |
| Extracurricular Activities | 6,086 | | 144,178 | 150,264 |
| Donations | 8,000 | | 93,540 | 101,540 |
| Miscellaneous | 11,264 | 9,000 | | 20,264 |
| <i>Total Receipts</i> | <i>6,685,661</i> | <i>359,648</i> | <i>1,085,171</i> | <i>8,130,480</i> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,119,763 | | 84,952 | 3,204,715 |
| Special | 895,741 | | 324,007 | 1,219,748 |
| Vocational | 257,546 | | | 257,546 |
| Support Services: | | | | |
| Pupil | 95,138 | | 3,600 | 98,738 |
| Instructional Staff | 61,327 | | 28,229 | 89,556 |
| Board of Education | 20,851 | | | 20,851 |
| Administration | 519,869 | | | 519,869 |
| Fiscal | 256,252 | 8,980 | 6,980 | 272,212 |
| Operation and Maintenance of Plant | 533,235 | 21,631 | 37,125 | 591,991 |
| Pupil Transportation | 282,643 | | | 282,643 |
| Central Office | 69,919 | | | 69,919 |
| Operation of Non-Instructional Services | | | 73,981 | 73,981 |
| Extracurricular Activities | 223,438 | | 143,425 | 366,863 |
| Capital Outlay | | 36,101 | 7,516 | 43,617 |
| Debt Service: | | | | |
| Principal Retirement | | 39,000 | 235,000 | 274,000 |
| Interest and Fiscal Charges | | 52,393 | 82,109 | 134,502 |
| <i>Total Disbursements</i> | <i>6,335,722</i> | <i>158,105</i> | <i>1,026,924</i> | <i>7,520,751</i> |
| <i>Excess of Revenues Over Disbursements</i> | <i>349,939</i> | <i>201,543</i> | <i>58,247</i> | <i>609,729</i> |
| Other Financing Sources (Uses) | | | | |
| Sale of Fixed Assets | 950 | | | 950 |
| Refund of Prior Year Receipts | | (947,573) | | (947,573) |
| Advance In | 534,946 | | 134,546 | 669,492 |
| Advance Out | (134,546) | (250,000) | (284,946) | (669,492) |
| Transfers In | | 1,952,408 | 238,513 | 2,190,921 |
| Transfers Out | (146,000) | (31,296) | (2,013,625) | (2,190,921) |
| <i>Total Other Financing Sources (Uses)</i> | <i>255,350</i> | <i>723,539</i> | <i>(1,925,512)</i> | <i>(946,623)</i> |
| <i>Net Change in Fund Balances</i> | <i>605,289</i> | <i>925,082</i> | <i>(1,867,265)</i> | <i>(336,894)</i> |
| <i>Fund Balances Beginning of Year</i> | <i>3,407,327</i> | <i>225,202</i> | <i>2,715,354</i> | <i>6,347,883</i> |
| <i>Fund Balances End of Year</i> | <i>\$4,012,616</i> | <i>\$1,150,284</i> | <i>\$848,089</i> | <i>\$6,010,989</i> |

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2015

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|--------------------|---|
| | Original | Final | Actual | |
| | | | | |
| Receipts | | | | |
| Property Taxes | \$1,867,264 | \$2,013,749 | \$2,013,749 | |
| Income Taxes | 378,939 | 389,011 | 389,011 | |
| Intergovernmental | 3,899,160 | 3,964,517 | 3,964,517 | |
| Interest | 2,100 | 3,224 | 3,543 | \$319 |
| Tuition and Fees | 286,800 | 289,491 | 289,491 | |
| Miscellaneous | 11,000 | 11,264 | 11,264 | |
| <i>Total Receipts</i> | <u>6,445,263</u> | <u>6,671,256</u> | <u>6,671,575</u> | <u>319</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,538,044 | 3,388,322 | 3,136,771 | 251,551 |
| Special | 783,520 | 794,843 | 895,741 | (100,898) |
| Vocational | 218,631 | 218,631 | 257,546 | (38,915) |
| Support Services: | | | | |
| Pupil | 70,130 | 70,130 | 95,138 | (25,008) |
| Instructional Staff | 25,807 | 25,807 | 59,748 | (33,941) |
| Board of Education | 22,360 | 22,360 | 20,851 | 1,509 |
| Administration | 493,308 | 493,743 | 519,888 | (26,145) |
| Fiscal | 252,638 | 252,638 | 256,502 | (3,864) |
| Operation and Maintenance of Plant | 542,026 | 542,026 | 533,235 | 8,791 |
| Pupil Transportation | 336,606 | 331,171 | 282,643 | 48,528 |
| Central Office | 48,038 | 48,038 | 59,256 | (11,218) |
| Extracurricular Activities | 188,781 | 188,781 | 215,879 | (27,098) |
| <i>Total Disbursements</i> | <u>6,519,889</u> | <u>6,376,490</u> | <u>6,333,198</u> | <u>43,292</u> |
| <i>Excess of Receipts Over/(Under) Disbursements</i> | <u>(74,626)</u> | <u>294,766</u> | <u>338,377</u> | <u>43,611</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Fixed Assets | | 950 | 950 | |
| Advances In | 583,361 | 534,946 | 534,946 | |
| Advances Out | (222,361) | (222,361) | (134,546) | 87,815 |
| Transfer Out | (90,165) | (149,050) | (236,165) | (87,115) |
| <i>Total Other Financing Sources (Uses)</i> | <u>270,835</u> | <u>164,485</u> | <u>165,185</u> | <u>700</u> |
| <i>Net Change in Fund Balance</i> | <u>196,209</u> | <u>459,251</u> | <u>503,562</u> | <u>44,311</u> |
| <i>Fund Balance Beginning of Year</i> | <u>3,163,528</u> | <u>3,163,528</u> | <u>3,163,528</u> | |
| <i>Prior Year Encumbrances Appropriated</i> | <u>11,549</u> | <u>11,549</u> | <u>11,549</u> | |
| <i>Fund Balance End of Year</i> | <u>\$3,371,286</u> | <u>\$3,634,328</u> | <u>\$3,678,639</u> | <u>\$44,311</u> |

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fund Net Position - Cash Basis
Proprietary Fund
June 30, 2015

| | <u>Food Service Fund</u> |
|--|------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$63,736</u></u> |
| Net Position | |
| Unassigned | <u><u>\$63,736</u></u> |

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Receipts, Disbursements and Changes in
Fund Net Position - Cash Basis - Proprietary Fund
For the Fiscal Year Ended June 30, 2015

| | Food Service Fund |
|---|----------------------|
| Operating Receipts | |
| Charges for Services | <u>\$140,889</u> |
| Operating Disbursements | |
| Personal Services | 175,287 |
| Materials and Supplies | 142,393 |
| <i>Total Operating Disbursements</i> | <u>317,680</u> |
| <i>Operating Loss</i> | <u>(176,791)</u> |
| Non-Operating Receipts | |
| Interest | 9 |
| Intergovernmental Revenue | 181,799 |
| Other Non-Operating Revenue | 573 |
| <i>Total Non-Operating Receipts</i> | <u>182,381</u> |
| <i>Changes in Net Position</i> | 5,590 |
| <i>Net Position - Beginning of Year</i> | <u>58,146</u> |
| <i>Net Position - End of Year</i> | <u>\$63,736</u> |

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2015

| | Private Purpose Trust | Agency |
|--|--------------------------|------------------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$148,536</u></u> | <u><u>\$34,756</u></u> |
| Liabilities: | | |
| Due to Students | <u><u></u></u> | <u><u>\$34,756</u></u> |
| Net Position | | |
| Restricted: | | |
| Held in Trust for Scholarships | <u><u>\$148,536</u></u> | |

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

| | Private Purpose Trust |
|---------------------------------|--------------------------|
| Additions | |
| Interest | <u>\$2,293</u> |
| Deductions | |
| Scholarship Payments | <u>6,000</u> |
| <i>Change in Net Position</i> | <i>(3,707)</i> |
| Net Position Beginning of Year | <u>152,243</u> |
| <i>Net Position End of Year</i> | <i><u>\$148,536</u></i> |

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, 2015**

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 549th largest in the State of Ohio (among 612 school districts) in terms of enrollment. The District is staffed by 26 classified employees, 48 certified teaching personnel, and four administrative employees who provide services to 648 students and other community members. The District currently operates one elementary, middle and high school.

Reporting Entity

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

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

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

The District's reporting entity includes the following:

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

The District participates in 4 jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 9 and 17 to the basic financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

- Northwest Ohio Area Computer Services Cooperative
- Millstream Career Cooperative
- Northwestern Ohio Educational Research Council, Inc.
- State Support Team Region 1

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Public Entity Risk Pool:

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

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. 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 position 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 position 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.

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**
(Continued)

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. 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 projects fund accounts for financial resources and activity used for the permanent improvements of the district.

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

Proprietary Funds: The District's Food Service Fund accounts for food service operations and operates similar to a business enterprise, where user charges (i.e. charges for services) provide significant resources for the activity. The District classifies this fund as 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 funds account for various student-managed activities and Ohio High School Athletic Association event activity.

C. Basis of Accounting

Contrary to Ohio law, 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.

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.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**
(Continued)

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 2015, the 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, 2015.

District allocates interest earning according to state statute. Interest revenue credited to the General Fund during fiscal year 2015 was \$3,543, which includes \$1,440 assigned from other District funds.

E. Inventory and Prepaid Items

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

F. Capital Assets

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

G. 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.

H. 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.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**
(Continued)

I. Net Position

Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for capital projects, debt service, and state and federal grants. The District's policy is to first apply restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position are available.

J. Fund Balance Reserves

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable – The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification can be used.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**
(Continued)

K. 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. Interfund balances are eliminated in the statement of net position, except for any residual amounts due between governmental and business-type activities, which are presented as internal balances.

The statements report interfund loans as advances when made or repaid. Note 8 to the basic financial statements lists unpaid advances receivable and payable.

L. 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 2015.

M. 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, debt service 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.

N. Stabilization Arrangement

The Board of Education has \$322,456 set aside for budget stabilization. The Board has set aside these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. Of the \$322,456, only \$17,563 was required by state statute and is reported as restricted funds in the General Fund. For the remaining \$304,893, the Board may remove

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the budget stabilization arrangement at any time, therefore the amount is reported as unassigned fund balance in the General Fund.

O. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

3. Accounting and Compliance

A. Change in Accounting Principle

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the District.

B. 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.

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4. Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the 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 \$43,303 in the General Fund.

The following table summarizes the adjustments necessary to reconcile the cash statement to the budgetary basis statement for the General Fund:

| <u>Net Change in Fund Cash Balance</u> | |
|--|---------------------|
| | <u>General Fund</u> |
| Cash Basis | \$605,289 |
| Funds Budgeted Elsewhere | (58,424) |
| Adjustment for Encumbrances | <u>(43,303)</u> |
| Budget Basis | <u>\$503,562</u> |

As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on the cash basis. This includes the Termination Benefits Fund

5. Deposits and Investments

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

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

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

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

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

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

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.

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", at June 30, 2015, \$3,168,683 of the District's bank balance of \$6,436,297 was exposed to custodial risk as discussed below, while \$3,267,614 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

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collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The remainder of the deposits are secured by collateral specifically pledged to the District by the financial institution.

Investments

As of June 30, 2015, the District had no investments.

6. Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35% 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 June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The Putnam County Treasurer collects property taxes on behalf of the District. The Putnam County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

The full tax rate at the fiscal year ended June 30, 2015 was \$34.20 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2015 taxes were collected were as follows:

| | 2014 Second-Half Collections | | 2015 First-Half Collections | |
|--|------------------------------|----------------|-----------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential | \$59,364,070 | 74.83% | \$82,606,440 | 80.38% |
| Industrial/Commercial | 12,631,960 | 15.92% | 12,853,630 | 12.51% |
| Public Utility | 7,332,770 | 9.25% | 7,315,210 | 7.11% |
| Total Assessed Value | <u>\$79,328,800</u> | <u>100.00%</u> | <u>\$102,775,280</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$35.55 | | \$34.20 | |

The amount available as an advance at June 30, 2015 was \$300,187 in the General Fund and \$32,459 in the Bond Retirement Fund.

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7. School District Income Tax

The District levies a voted tax of .50 percent for general operations and .25 percent for permanent improvements on the income of residents and of estates. The .50 percent tax was effective January 1, 1992, with the .25 percent effective January 1, 1997, both are a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the district after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and Permanent Improvement Fund and totaled \$389,011 and \$194,214, respectively, for fiscal year 2015.

8. Interfund Balances

At June 30, 2015 the District had the following inter-fund advances outstanding from the General Fund:

| <u>Fund</u> | <u>Outstanding Advance</u> |
|----------------------------|----------------------------|
| Permanent Improvement Fund | \$250,000 |
| Athletics Fund | 10,000 |
| Smarter Lunchrooms Fund | 600 |
| Total | <u>\$260,600</u> |

9. Risk Management

A. Schools of Ohio Risk Sharing Authority

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 102 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the 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

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B. Putnam County Schools Insurance Group

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Huntington Bank. 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 2015 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

10. Defined Benefit Pension

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions — between an employer and its employees — of salaries and benefits for employee services. Pensions are provided to an employee — on a deferred-payment basis — as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

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GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – the District's non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|------------------------------|---|--|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

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The District's contractually required contribution to SERS was \$91,716 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – the District's licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies

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before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$407,830 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

| | SERS | STRS | Total |
|---|-------------|-------------|-------------|
| Proportionate Share of the Net Pension Liability | \$1,238,362 | \$6,804,323 | \$8,042,685 |
| Proportion of the Net Pension Liability | 0.02447% | 0.0279743% | |

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

| | | |
|--|--|--|
| Wage Inflation | | 3.25 percent |
| Future Salary Increases, including inflation | | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | | 3 percent |
| Investment Rate of Return | | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | | Entry Age Normal |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|-------------------|--|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | 15.00 | 7.50 |
| Total | <u>100.00 %</u> | |

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the

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discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | 1% Decrease ✓ (6.75%) | Current Discount Rate ✓ (7.75%) | 1% Increase ✓ (8.75%) |
|---|--|---|--|
| School District's proportionate share of the net pension liability | \$1,766,775 | \$1,238,362 | \$793,921 |

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--------------------------------------|---|
| Inflation | 2.75 percent |
| Projected salary increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, or later, 2 percent COLA paid on fifth anniversary of retirement date |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|------------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | <u><u>100.00 %</u></u> | |

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member

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(Continued)**

and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | Current | | |
|---|------------------------|--------------------------|------------------------|
| | 1% Decrease (6.75%) | Discount Rate (7.75%) | 1% Increase (8.75%) |
| School District's proportionate share of the net pension liability | \$9,741,130 | \$6,804,323 | \$4,320,772 |

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

11. Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certified retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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, 2015
(Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$11,709.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$4,848, \$4,845, and \$4,796, respectively. For fiscal year 2015, 77.10 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$28,948, and \$28,379 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

12. Debt

The changes in the District's debt obligations during fiscal year 2015 consist of the following:

| | <u>Principal Outstanding 06/30/2014</u> | <u>Reductions</u> | <u>Principal Outstanding 06/30/2015</u> | <u>Amount Due in One Year</u> |
|--|---|-------------------|---|---------------------------------------|
| Governmental Activities | | | | |
| OASBO Lease/Purchase Agreement (4.40%) | \$742,000 | \$39,000 | \$703,000 | \$41,000 |
| Facility Construction Bonds (2.58%) | <u>3,300,000</u> | <u>235,000</u> | <u>3,065,000</u> | <u>245,000</u> |
| Total | <u>\$4,042,000</u> | <u>\$274,000</u> | <u>\$3,768,000</u> | <u>\$286,000</u> |

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

During fiscal year 2013, the District advance refunded the 2004 bonds. Proceeds from the outstanding bonds were used for the purpose of advance refunding of general obligation bonds dated March 15, 2004, which were issued for the purpose of renovating and otherwise improving school facilities. The bonds were issued on November 6, 2012 in the amount of \$3,370,000 at an interest rate of 2.58% with a maturity date of 2027. This current refunding was undertaken to reduce debt service interest payments and resulted in an economic gain of \$624,583.

During fiscal year 2009 the District acquired \$816,000 in debt financing through a fixed rate lease/purchase agreement. This lease/purchase agreement is sponsored by the Ohio Association of School Business Officials (OASBO) and run through the Columbus Port Authority; US Bank is the fiscal agent. The proceeds of this lease/purchase agreement were used for the renovation of the 1963 section of the current school building.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2014 are as follows:

| Fiscal Year | Facility Construction Bonds | | OASBO Lease/Purchase | | Total Debt Obligation |
|--------------|------------------------------------|------------------|-----------------------------|------------------|------------------------------|
| | Principal Due | Interest Due | Principal Due | Interest Due | |
| 2016 | \$245,000 | \$75,916 | \$41,000 | \$30,030 | \$391,946 |
| 2017 | 255,000 | 69,467 | 43,000 | 28,182 | 395,649 |
| 2018 | 260,000 | 62,823 | 45,000 | 26,246 | 394,069 |
| 2019 | 200,000 | 56,889 | 47,000 | 24,222 | 328,111 |
| 2020 | 205,000 | 51,664 | 49,000 | 22,110 | 327,774 |
| 2021-2025 | 1,145,000 | 173,183 | 279,000 | 75,570 | 1,672,753 |
| 2026-2028 | 755,000 | 29,089 | 199,000 | 13,354 | 996,443 |
| Total | \$3,065,000 | \$519,031 | \$703,000 | \$219,714 | \$4,506,745 |

13. Set-Aside Calculations

State statute annually requires the District to set aside in the General Fund an amount based on a statutory formula 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.

In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2015, only the unspent portion of prior year bureau of workers compensation refunds is shown as a set aside at year end.

The following table summarizes the change in the year-end set-aside amounts for capital maintenance and budget stabilization:

| | Capital Acquisition | Budget Reserve |
|--|----------------------------|-----------------------|
| Balance June 30, 2014 | | \$17,563 |
| Current Year Set-aside Requirements | \$109,571 | |
| Current Year Off-sets | (109,571) | |
| Set-aside Amounts as of June 30, 2015 | | \$17,563 |

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

14. Interfund Transfers

During 2015 the following transfers were made:

| | | Transfers In | | |
|----------------------|-----------------------|-----------------------|--------------------|--------------------|
| | | Permanent Improvement | Other Governmental | Total |
| Transfers Out | | | | |
| | Governmental Funds: | | | |
| | General | | \$146,000 | \$146,000 |
| | Permanent Improvement | | 31,296 | 31,296 |
| | Other Governmental | \$1,952,408 | 61,217 | 2,013,625 |
| | Total | \$1,952,408 | \$238,513 | \$2,190,921 |

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

15. Interfund Advances

During 2015 the following advances were made:

| | | Advances In | | |
|---------------------|-----------------------|------------------|--------------------|------------------|
| | | General | Other Governmental | Total |
| Advances Out | | | | |
| | Governmental Funds: | | | |
| | General | | \$134,546 | \$134,546 |
| | Permanent Improvement | \$250,000 | | 250,000 |
| | Other Governmental | 284,946 | | 284,946 |
| | Total | \$534,946 | \$134,546 | \$669,492 |

The primary purpose of the advances is to cover costs in specific funds where revenues were not received by June 30. Advances in to the General Fund in the amount of \$534,946 were repayment of prior year advances. The remaining advances will be repaid once the anticipated revenues are received.

16. 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, 2015 will not have a material adverse effect on the District.

B. Litigation

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

There are currently no matters in litigation with the District as defendant.

C. School Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

17. Jointly Governed Organizations

A. 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, Mercer, 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. During fiscal year 2015, the District paid \$24,326 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Career Cooperative

The Millstream Career and Technology Center (Center) is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Center provides vocational instruction to students. The Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative from the Findlay City School District. The Treasurers from the Hancock and Putnam County Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School district, 1219 West Main Cross, Suite 101, Findlay, Ohio 45840-3377.

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representative from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

D. State Support Team Region 1

The State Support Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams, and Wood counties, and Fostoria Community School in Seneca County. The Lucas County Educational Service Center is the fiscal agent for the SSTR1. Executive Director and Single Point of Contact is Sue Zake. Contact information is available at www.sstr1.org.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal CFDA Number | Receipts | Disbursements |
|--|--|-------------------------|-------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i> | | | |
| Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | \$21,511 | \$21,511 |
| National School Lunch Program: | | | |
| Cash Assistance | 10.555 | 156,052 | 156,052 |
| Non-cash Assistance (Commodities) | 10.555 | 27,261 | 27,261 |
| Total National School Lunch Program | | <u>183,313</u> | <u>183,313</u> |
| Total United States Department of Agriculture | | <u>204,824</u> | <u>204,824</u> |
| UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 112,595 | 112,196 |
| Improving Teacher Quality State Grants | 84.367 | 28,489 | 28,560 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | 147,876 | 147,876 |
| Special Education - Preschool Grants | 84.173 | 2,616 | 2,616 |
| Total Special Education Cluster | | <u>150,492</u> | <u>150,492</u> |
| Rural Education | 84.358 | 31,716 | 33,227 |
| English Language Acquisition State Grants | 84.365 | 8,924 | 8,924 |
| Migrant Education - State Grant Programs | 84.011 | 44,612 | 43,040 |
| ARRA - Race to The Top | 84.395 | 2,054 | 2,565 |
| Total United States Department of Education | | <u>378,882</u> | <u>379,004</u> |
| Total Federal Awards Receipts and Expenditures | | <u>\$583,706</u> | <u>\$583,828</u> |

The accompanying notes are an integral part of this schedule.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amounts passed through to its subrecipient were \$150,492.

NOTE C - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the programs that benefitted from the use of those donated food commodities.

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 11, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 to be a material weakness.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 11, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Leipsic Local School District, Putnam County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Leipsic Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Leipsic Local School District
Putnam County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
Over Compliance Required by OMB Circular A-133
Page 2

Opinion on Each Major Federal Program

In our opinion, Leipsic Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 11, 2016

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Nutrition Cluster: School Breakfast Program CFDA #10.553 and National School Lunch Program CFDA #10.555 Special Education Cluster: Education Grants to States CFDA #84.027 and Early Childhood Grant CFDA #84.173 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

FINDING NUMBER 2015-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office “shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.”

Ohio Admin. Code § 117-2-03(B) adds to the general requirements of Ohio Rev. Code § 117.38 by requiring school districts to prepare their annual financial report in accordance with accounting principles generally accepted in the United States of America.

The District lacked a GASB 34 policy and prepared its financial statements on the cash basis of accounting, which is a basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

Officials’ Response:

The view of the Board of Education and the District Treasurer is the cost benefit of preparing the District's financial statements on a cash basis of accounting far outweighs the disclosure benefits of GAAP to those who actually read the District's financial statements. The District currently has only one bond issue outstanding with a single lender and this lender is satisfied with the District's financial statements being reported on the cash basis of accounting.

FINDING NUMBER 2015-002

Material Weakness

Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Treasurer and Board of Education, and is essential to ensure the information provided to the readers of the financial statements accurately reflects the District's activity.

The financial statements contained errors such as the following:

- The Net Position in the Governmental Type Activities was not properly classified per Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, paragraph 34 (amended by GASB Statement No. 63). As a result, Restricted for Other Purposes was overstated by \$586,912 and Restricted for Capital Projects and Unrestricted Net Position were understated by \$105,486 and \$481,426, respectively.
- Transfers In of \$1,952,408 and Refund of Prior Year Receipts of \$947,573 were incorrectly netted together and recorded as Prior Year Activity in the Permanent Improvement Fund.
- Transfers In of \$61,217 and Transfers Out of \$2,013,625 were incorrectly netted together and recorded as Prior Year Activity in Other Governmental Funds.

The District lacked a policy regarding financial review which contributed to these material posting errors, occurring without detection. Adjusting entries were posted to the financial statements and the District's financial records to correct these errors.

To ensure the District's financial statements and notes to the statements are complete and accurate, we recommend the Treasurer post all transactions in accordance with the guidance established by the Uniform School Accounting System issued by the Auditor of State. Furthermore, the Board should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board, to identify and correct errors and omissions.

Officials' Response:

The issues identified in this finding were related to the close-out of the OSFC project and the related lease/purchase agreement used to finance the OSFC project. The OSFC project was a once in a life-time project and thus the District does not anticipate having the issues identified in this funding again. The issue of having the Board of Education review the financial statements can certainly be resolved.

3. FINDINGS FOR FEDERAL AWARDS

None

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|--|
| 2014-001 | Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on basis other than generally accepted accounting principles. | No | Finding has not been corrected and is repeated in this report as finding 2015-001. |
| 2014-002 | Material weakness to improve monitoring of financial statement errors. | No | Finding has not been corrected and is repeated in this report as finding 2015-002. |



Dave Yost • 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
JANUARY 28, 2016