



Dave Yost • Auditor of State



**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY  
JUNE 30, 2017 AND 2016**

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PUTNAM COUNTY  
JUNE 30, 2017 AND 2016**

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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, 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 years ended June 30, 2017 and 2016, 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 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 such 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, business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio, as of June 30, 2017 and 2016, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the years 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2018, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 2, 2018

**Leipsic Local School District  
Putnam County**

**Statement of Net Position - Cash Basis  
June 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,528,520	\$57,486	\$7,586,006
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$374,118		\$374,118
Debt Service	494,840		494,840
Other Purposes	126,484	\$57,486	183,970
Set Asides	17,563		17,563
Unrestricted	6,515,515		6,515,515
Total Net Position	\$7,528,520	\$57,486	\$7,586,006

*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, 2017**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position		Total
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>						
Current:						
Instruction:						
Regular	\$3,415,749	\$247,609	\$135,398	(\$3,032,742)		(\$3,032,742)
Special	1,207,366	5,115	751,594	(450,657)		(450,657)
Vocational	300,995		61,366	(239,629)		(239,629)
Support Services:						
Pupil	132,651		3,600	(129,051)		(129,051)
Instructional Staff	163,580		8,882	(154,698)		(154,698)
Board of Education	18,314			(18,314)		(18,314)
Administration	547,247			(547,247)		(547,247)
Fiscal	247,760			(247,760)		(247,760)
Operation and Maintenance of Plant	572,747		19,949	(552,798)		(552,798)
Pupil Transportation	268,435	2,256	135,657	(130,522)		(130,522)
Central Office	83,552		75,000	(8,552)		(8,552)
Operation of Non-Instructional Services	136,469	44,410	83,167	(8,892)		(8,892)
Extracurricular Activities	332,821	150,879		(181,942)		(181,942)
Capital Outlay	331,000			(331,000)		(331,000)
Debt Repayment:						
Principal	255,000		139,003	(115,997)		(115,997)
Interest and Fiscal Charges	69,466			(69,466)		(69,466)
Total Governmental Activities	8,083,152	450,269	1,413,616	(6,219,267)		(6,219,267)
<b>Business-Type Activity</b>						
Food Service	359,497	146,904	204,396		(\$8,197)	(8,197)
Total	\$8,442,649	\$597,173	\$1,618,012	(6,219,267)	(8,197)	(6,227,464)
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes				2,222,961		2,222,961
Debt Service				233,347		233,347
Income Taxes Levied for:						
General Purposes				366,995		366,995
Capital Projects				183,223		183,223
Grants and Entitlements not Restricted to Specific Programs				4,205,450		4,205,450
Payments in Lieu of Taxes				158,233		158,233
Interest				4,557	13	4,570
Donations				38,700		38,700
Miscellaneous				18	621	639
Total General Receipts				7,413,484	634	7,414,118
Change in Net Position				1,194,217	(7,563)	1,186,654
Net Position Beginning of Year				6,334,303	65,049	6,399,352
Net Position End of Year				\$7,528,520	\$57,486	\$7,586,006

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, 2017**

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,212,351	\$1,316,169	\$7,528,520
<b>Fund Balances</b>			
Non-Spendable	\$5,604		\$5,604
Restricted for:			
Capital Projects		\$374,118	374,118
Set-a-sides	17,563		17,563
Debt Service		494,840	494,840
Other Purposes		120,880	120,880
Total Restricted	17,563	989,838	1,007,401
Committed for:			
Capital Projects		256,068	256,068
Education Foundation	15,740	70,263	86,003
Termination Benefits	319,224		319,224
Total Committed	334,964	326,331	661,295
Assigned for:			
Encumbrances	20,867		20,867
Other Purposes	3,088		3,088
Total Assigned	23,955		23,955
Unassigned	5,830,265		5,830,265
Total Fund Balances	\$6,212,351	\$1,316,169	\$7,528,520

*See accompanying notes to the basic financial statements*

**Leipsic Local School District  
Putnam County**

**Statement of Receipts, Disbursements and Changes in  
Fund Balances - Cash Basis - Governmental Funds  
For the Fiscal Year Ended June 30, 2017**

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$2,222,961	\$233,347	\$2,456,308
Income Taxes	366,995	183,221	550,216
Payment in Lieu of Taxes		158,233	158,233
Intergovernmental	4,926,830	617,229	5,544,059
Interest	4,273	557	4,830
Tuition and Fees	238,740		238,740
Extracurricular Activities	5,019	146,454	151,473
Donations		38,700	38,700
Miscellaneous	16,943	117,867	134,810
Total Receipts	<u>7,781,761</u>	<u>1,495,608</u>	<u>9,277,369</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	3,345,173	70,576	3,415,749
Special	896,790	310,576	1,207,366
Vocational	300,995		300,995
Support Services:			
Pupil	129,051	3,600	132,651
Instructional Staff	148,254	15,326	163,580
Board of Education	18,314		18,314
Administration	547,247		547,247
Fiscal	231,979	15,781	247,760
Operation and Maintenance of Plant	521,600	51,147	572,747
Pupil Transportation	268,435		268,435
Central Office	83,552		83,552
Operation of Non-Instructional Services		136,469	136,469
Extracurricular Activities	190,843	141,978	332,821
Capital Outlay		331,000	331,000
Debt Service:			
Principal Retirement		255,000	255,000
Interest and Fiscal Charges		69,466	69,466
Total Disbursements	<u>6,682,233</u>	<u>1,400,919</u>	<u>8,083,152</u>
Excess of Receipts Over Disbursements	<u>1,099,528</u>	<u>94,689</u>	<u>1,194,217</u>
<b>Other Financing Sources (Uses)</b>			
Advance In	184,125	222,944	407,069
Advance Out	(222,944)	(184,125)	(407,069)
Total Other Financing Sources (Uses)	<u>(38,819)</u>	<u>38,819</u>	<u></u>
Net Change in Fund Balances	1,060,709	133,508	1,194,217
Fund Balances Beginning of Year	<u>5,151,642</u>	<u>1,182,661</u>	<u>6,334,303</u>
Fund Balances End of Year	<u><u>\$6,212,351</u></u>	<u><u>\$1,316,169</u></u>	<u><u>\$7,528,520</u></u>

See accompanying notes to the basic financial statements

**Leipsic Local School District  
Putnam County**

**Statement of Receipts, Disbursements and Changes in Fund Balance  
Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$2,212,431	\$2,222,961	\$2,222,961	
Income Taxes	372,470	366,995	366,995	
Intergovernmental	4,900,393	4,926,829	4,926,829	
Interest	3,600	4,193	4,273	\$80
Tuition and Fees	231,881	238,740	238,740	
Miscellaneous	23,073	16,942	16,942	
<b>Total Receipts</b>	<b>7,743,848</b>	<b>7,776,660</b>	<b>7,776,740</b>	<b>80</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,442,256	3,277,159	3,327,734	(50,575)
Special	990,241	915,241	896,790	18,451
Vocational	340,211	340,211	303,018	37,193
Support Services:				
Pupil	171,287	171,287	129,050	42,237
Instructional Staff	71,380	71,380	157,155	(85,775)
Board of Education	25,084	25,084	18,314	6,770
Administration	498,619	498,619	547,247	(48,628)
Fiscal	259,856	267,856	231,979	35,877
Operation and Maintenance of Plant	553,211	561,211	526,989	34,222
Pupil Transportation	333,962	320,962	268,435	52,527
Central Office	65,302	65,302	67,019	(1,717)
Extracurricular Activities	177,674	177,674	180,639	(2,965)
<b>Total Disbursements</b>	<b>6,929,083</b>	<b>6,691,986</b>	<b>6,654,369</b>	<b>37,617</b>
<b>Excess of Receipts Over Disbursements</b>	<b>814,765</b>	<b>1,084,674</b>	<b>1,122,371</b>	<b>37,697</b>
<b>Other Financing Sources (Uses)</b>				
Advances In	212,181	184,125	184,125	
Advances Out	(200,000)	(225,000)	(222,944)	2,056
Transfer Out	(400)	(400)	(400)	
<b>Total Other Financing Sources (Uses)</b>	<b>11,781</b>	<b>(41,275)</b>	<b>(39,219)</b>	<b>2,056</b>
<b>Net Change in Fund Balance</b>	<b>826,546</b>	<b>1,043,399</b>	<b>1,083,152</b>	<b>39,753</b>
Fund Balance Beginning of Year	4,753,140	4,753,140	4,753,140	
Prior Year Encumbrances Appropriated	17,120	17,120	17,120	
<b>Fund Balance End of Year</b>	<b>\$5,596,806</b>	<b>\$5,813,659</b>	<b>\$5,853,412</b>	<b>\$39,753</b>

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, 2017**

	<u>Food Service Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$57,486</u></u>
<b>Net Position</b>	
Restricted	<u><u>\$57,486</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, 2017**

	Food Service Fund
<b>Operating Receipts</b>	
Charges for Services	<u>\$146,904</u>
<b>Operating Disbursements</b>	
Personal Services	183,496
Materials and Supplies	<u>176,001</u>
Total Operating Disbursements	<u>359,497</u>
Operating Loss	<u>(212,593)</u>
<b>Non-Operating Receipts</b>	
Interest	13
Intergovernmental Revenue	204,396
Other Non-Operating Revenue	<u>621</u>
Total Non-Operating Receipts	<u>205,030</u>
Change in Net Position	(7,563)
Net Position - Beginning of Year	<u>65,049</u>
Net Position - End of Year	<u><u>\$57,486</u></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, 2017**

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$140,540</u>	<u>\$33,196</u>
<b>Liabilities</b>		
Due to Students		<u>\$33,196</u>
<b>Net Position</b>		
Restricted:		
Held in Trust for Scholarships	<u>\$140,540</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, 2017**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	<u>\$2,029</u>
<b>Deductions</b>	
Scholarship Payments	<u>6,000</u>
Change in Net Position	(3,971)
Net Position Beginning of Year	<u>144,511</u>
Net Position End of Year	<u><u>\$140,540</u></u>

*See accompanying notes to the basic financial statements*

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**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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 542<sup>nd</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. The District is staffed by 26 classified employees, 50 certified teaching personnel, and four administrative employees who provide services to 672 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 four 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:

Public Entity Risk Pool:

- Schools of Ohio Risk Sharing Authority
- Putnam County Schools Insurance Group
- Ohio Association of School Business Officials Workers’ Compensation Group Rating Program

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, 2017  
(Continued)**

**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 position 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 and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**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 is the District's major governmental fund:

**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.

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 regulatory 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.

**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".

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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 2017, the School District invested in certificates of deposit, money market deposit accounts and savings accounts.

District allocates interest earning according to state statute. Interest revenue credited to the General Fund during fiscal year 2017 was \$4,273, which includes \$681 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.

**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 assets 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:

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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.

**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

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are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during fiscal 2017.

**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 \$382,722 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 \$382,722, only \$17,563 was required by state statute and is reported as restricted funds in the General Fund. For the remaining \$365,159, the Board may remove 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 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain*

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*Component Units - An Amendment of GASB Statement No. 14* and GASB Statement No. 82, *“Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73”*.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 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 regulatory 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.

**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).

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The encumbrances outstanding at year end (budgetary basis) amounted to \$20,867 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:

**Net Change in Fund Cash Balance**

	<u>General Fund</u>
Cash Basis	\$1,060,709
Funds Budgeted Elsewhere	43,310
Adjustment for Encumbrances	<u>(20,867)</u>
Budget Basis	<u>\$1,083,152</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Public School Support Fund, Education Foundation Fund and 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:

1. United States treasury notes, bills, bonds, or other obligations 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the



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agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); 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;
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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, 2017, \$4,725,614 of the District's bank balance of \$7,999,462 was exposed to custodial risk as discussed below, while \$3,273,848 was covered by Federal Deposit Insurance Corporation.

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

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**Investments**

As of June 30, 2017, 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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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, 2017 was \$34.10 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2017 taxes were collected were as follows:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$82,670,180	80.07%	\$83,217,270	80.07%
Industrial/Commercial	12,777,400	12.38%	12,793,030	12.31%
Public Utility	7,797,460	7.55%	7,914,310	7.62%
Total Assessed Value	<u>\$103,245,040</u>	<u>100.00%</u>	<u>\$103,924,610</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.20		\$34.10	

The amount available as an advance at June 30, 2017 was \$240,045 in the general fund, \$26,145 in the bond retirement fund.

**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

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after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and Permanent Improvement Fund and totaled \$366,995 and \$183,221, respectively, for fiscal year 2017.

**8. Interfund Balances**

At June 30, 2017 the District had the following inter-fund advances outstanding from the General Fund:

<u>Fund</u>	<u>Outstanding Advance</u>
Permanent Improvement	\$51,000

**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

**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. Ohio Association of School Business Officials Workers' Compensation Group Rating Program**

For fiscal year 2017, the District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The

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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 Plans**

**A. Net Pension Liability**

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.

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.

**B. 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](http://www.ohsers.org) under Employers/Audit Resources.

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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 years 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).

The District's contractually required contribution to SERS was \$98,552 for fiscal year 2017.

**C. 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](http://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 5 years of service on August 1, 2026.

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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 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 a 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 service. 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 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 increase one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS were \$428,929 for fiscal year 2017.

**D. Net Pension Liability**

The net pension liability was measured as of June 30, 2016, 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:

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	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.0246222%	0.02769138%	
Proportion of the net pension liability current measurement date	<u>0.0246053%</u>	<u>0.02714794%</u>	
Change in proportionate share	█ <u>0.0000169%</u>	█ <u>0.00054344%</u>	
Proportionate share of the net pension liability	\$ 1,800,881	\$ 9,087,234	\$ 10,888,115

**E. 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b)

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payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
International Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** – The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.



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	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 2,384,254	\$ 1,800,881	\$ 1,312,573

**F. Actuarial Assumptions – STRS Ohio**

The total pension liability in the June 30, 2016, 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, 2013, 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, 2016, valuations are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate 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	100.00 %	7.61 %

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member 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.

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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, 2016. 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, 2016.

***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:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 12,076,195	\$ 9,087,234	\$ 6,565,869

***Changes Between Measurement Date and Report Date*** – In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**G. Social Security System**

Effective July 1, 1991, all officials not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2017, three Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**11. Postemployment Benefits**

**A. School Employees Retirement System**

**Health Care Plan Description** – The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated 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](http://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'

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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.

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 2017, no portion 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 2017, this amount was \$23,500. 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 2017 the District’s surcharge obligation was \$12,817.

The District’s contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$5,499 and \$5,372 respectively. 100 percent has been contributed for fiscal years 2017, 2016, and 2015.

**B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the “Plan”) administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under “Publications” or by calling (888) 227-7877.

Funding Policy – Ohio law 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**12. Debt**

The changes in the District’s debt obligations during fiscal year 2017 consist of the following:

	Principal Outstanding 6/30/2016	Reductions	Principal Outstanding 6/30/2017	Amount Due in One Year
<b>Governmental Activities</b>				
New Facility Construction Bonds (2.58%)	\$2,820,000	\$255,000	\$2,565,000	\$260,000

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 refunding was undertaken to reduce debt service interest payments and resulted in an economic gain of \$624,583.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2017 are as follows:

Fiscal Year	Facility Construction Bonds		Total
	Principal Due	Interest Due	Debt Obligation
2018	\$260,000	\$62,823	\$322,823
2019	200,000	56,889	256,889
2020	205,000	51,665	256,665
2021	215,000	46,247	261,247
2022	220,000	40,635	260,635
2023-2027	1,220,000	112,230	1,332,230
2028	245,000	3,161	248,161
Total	<u>\$2,565,000</u>	<u>\$373,650</u>	<u>\$2,938,650</u>

**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 2017, 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, 2016		\$17,563
Current Year Set-Aside Requirements	\$112,830	
Current Year Off-Sets	(\$112,830)	
Set-Aside Amounts as of June 30, 2017	<u></u>	<u>\$17,563</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**14. Interfund Advances**

During 2017 the following advances were made:

<u>Advances from the General Fund</u>	<u>Amount</u>	<u>Advances Into General Fund</u>	<u>Amount</u>
Other Governmental Funds:		Other Governmental Funds:	
Permanent Improvement Fund	\$51,000	Title I Fund	\$131,132
Title I Fund	131,132	Title II-A Fund	39,451
Title II-A Fund	27,270	REAP Grant Fund	13,542
REAP Grant Fund	13,542	Totals	<u>\$184,125</u>
Totals	<u>\$222,944</u>		

The primary purpose of the advances is to cover costs in specific funds where revenues were not received by June 30. Advances into the General Fund in the amount of \$12,181 were repayment of prior year advances from the Title II-A Fund. The remaining advances will be repaid once the anticipated revenues are received.

**15. Tax Abatements Entered into by Other Governments**

The County of Putnam along with Van Buren Township and Village of Leipsic entered into Tax Increment Financing (TIF's) for public road improvements and water facility improvements with various companies. Annual payment in lieu of taxes are made to the County by the companies for distribution to the township and villages. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by \$534,924 during fiscal year 2017.

**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, 2017 will not have a material adverse effect on the District.

**B. Litigation**

The District is not a party to any legal proceedings.

**C. School Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional 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 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, 2017 Foundation funding for the 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**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 2017, the District paid \$21,919 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.

**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](http://www.sstr1.org).

**Leipsic Local School District  
Putnam County**

**Statement of Net Position - Cash Basis  
June 30, 2016**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$6,334,303	\$65,049	\$6,399,352
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$388,521		\$388,521
Debt Service	452,795		452,795
Other Purposes	147,332	\$65,049	212,381
Set Asides	17,563		17,563
Unrestricted	5,328,092		5,328,092
Total Net Position	\$6,334,303	\$65,049	\$6,399,352

*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, 2016**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>						
Current:						
Instruction:						
Regular	\$3,493,745	\$257,281	\$133,959	(\$3,102,505)		(\$3,102,505)
Special	1,334,755		779,795	(554,960)		(554,960)
Vocational	293,740		54,688	(239,052)		(239,052)
Support Services:						
Pupil	119,446	550	3,600	(115,296)		(115,296)
Instructional Staff	156,531		8,000	(148,531)		(148,531)
Board of Education	17,872			(17,872)		(17,872)
Administration	531,625			(531,625)		(531,625)
Fiscal	277,334			(277,334)		(277,334)
Operation and Maintenance of Plant	528,497		19,949	(508,548)		(508,548)
Pupil Transportation	364,562	6,536	140,153	(217,873)		(217,873)
Central Office	73,970			(73,970)		(73,970)
Operation of Non-Instructional Services	68,450	3,074	87,847	22,471		22,471
Extracurricular Activities	314,731	147,733		(166,998)		(166,998)
Capital Outlay	38,301			(38,301)		(38,301)
Debt Repayment:						
Principal	948,000		139,597	(808,403)		(808,403)
Interest and Fiscal Charges	165,048			(165,048)		(165,048)
Prior Year Activity	4,500			(4,500)		(4,500)
Total Governmental Activities	<u>8,731,107</u>	<u>415,174</u>	<u>1,367,588</u>	<u>(6,948,345)</u>		<u>(6,948,345)</u>
<b>Business-Type Activity</b>						
Food Service	345,351	141,436	203,885		(\$30)	(30)
Total	<u>\$9,076,458</u>	<u>\$556,610</u>	<u>\$1,571,473</u>	<u>(6,948,345)</u>	<u>(30)</u>	<u>(6,948,375)</u>
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes				2,244,014		2,244,014
Debt Service				235,302		235,302
Income Taxes Levied for:						
General Purposes				361,621		361,621
Capital Projects				180,540		180,540
Grants and Entitlements not Restricted to Specific Programs				4,042,050		4,042,050
Payments in Lieu of Taxes				147,776		147,776
Proceeds from Sale of Capital Assets					350	350
Interest				4,335	12	4,347
Donations				51,300		51,300
Miscellaneous				4,721	981	5,702
Total General Receipts				<u>7,271,659</u>	<u>1,343</u>	<u>7,273,002</u>
Change in Net Position				323,314	1,313	324,627
Net Position Beginning of Year				<u>6,010,989</u>	<u>63,736</u>	<u>6,074,725</u>
Net Position End of Year				<u>\$6,334,303</u>	<u>\$65,049</u>	<u>\$6,399,352</u>

See accompanying notes to the basic financial statements



**Leipsic Local School District  
Putnam County**

**Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2016**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$5,151,642</u>	<u>\$274,898</u>	<u>\$907,763</u>	<u>\$6,334,303</u>
<b>Fund Balances</b>				
Non-Spendable	\$5,596			\$5,596
Restricted for:				
Capital Projects		\$131,086	\$257,435	388,521
Set-a-Sides	17,563			17,563
Debt Service			452,795	452,795
Other Purposes			141,736	141,736
Total Restricted	<u>17,563</u>	<u>131,086</u>	<u>851,966</u>	<u>1,000,615</u>
Committed for:				
Capital Projects		143,812		143,812
Education Foundation	16,695		55,797	72,492
Termination Benefits	356,795			356,795
Total Committed	<u>373,490</u>	<u>143,812</u>	<u>55,797</u>	<u>573,099</u>
Assigned for:				
Encumbrances	17,120			17,120
Other Purposes	7,873			7,873
Total Assigned	<u>24,993</u>			<u>24,993</u>
Unassigned	<u>4,730,000</u>			<u>4,730,000</u>
Total Fund Balances	<u>\$5,151,642</u>	<u>\$274,898</u>	<u>\$907,763</u>	<u>\$6,334,303</u>

*See accompanying notes to the basic financial statements*

**Leipsic Local School District  
Putnam County**

**Statement of Receipts, Disbursements and Changes in  
Fund Balances - Cash Basis - Governmental Funds  
For the Fiscal Year Ended June 30, 2016**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$2,244,014		\$235,302	\$2,479,316
Income Taxes	361,621	\$180,539		542,160
Payment in Lieu of Taxes		147,776		147,776
Intergovernmental	4,776,615		629,470	5,406,085
Interest	4,151	184	755	5,090
Tuition and Fees	252,935			252,935
Extracurricular Activities	5,519		142,214	147,733
Donations			51,300	51,300
Miscellaneous	16,326		2,800	19,126
<b>Total Receipts</b>	<b>7,661,181</b>	<b>328,499</b>	<b>1,061,841</b>	<b>9,051,521</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,368,312		125,433	3,493,745
Special	1,005,836		328,919	1,334,755
Vocational	293,740			293,740
Support Services:				
Pupil	115,846		3,600	119,446
Instructional Staff	136,127		20,404	156,531
Board of Education	17,872			17,872
Administration	531,625			531,625
Fiscal	268,645	2,708	5,981	277,334
Operation and Maintenance of Plant	490,439		38,058	528,497
Pupil Transportation	276,713	87,849		364,562
Central Office	73,970			73,970
Operation of Non-Instructional Services			68,450	68,450
Extracurricular Activities	191,449		123,282	314,731
Capital Outlay		38,301		38,301
Debt Service:				
Principal Retirement		703,000	245,000	948,000
Interest and Fiscal Charges		89,131	75,917	165,048
<b>Total Disbursements</b>	<b>6,770,574</b>	<b>920,989</b>	<b>1,035,044</b>	<b>8,726,607</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	890,607	(592,490)	26,797	324,914
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets		2,900		2,900
Refund of Prior Year Receipts		(4,500)		(4,500)
Advance In	444,563		195,996	640,559
Advance Out	(196,144)	(250,000)	(194,415)	(640,559)
Transfers In			31,296	31,296
Transfers Out		(31,296)		(31,296)
<b>Total Other Financing Sources (Uses)</b>	<b>248,419</b>	<b>(282,896)</b>	<b>32,877</b>	<b>(1,600)</b>
Net Change in Fund Balances	1,139,026	(875,386)	59,674	323,314
Fund Balances Beginning of Year	4,012,616	1,150,284	848,089	6,010,989
Fund Balances End of Year	<b>\$5,151,642</b>	<b>\$274,898</b>	<b>\$907,763</b>	<b>\$6,334,303</b>

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, 2016**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$2,182,987	\$2,244,014	\$2,244,014	
Income Taxes	392,901	361,621	361,621	
Intergovernmental	4,788,107	4,775,382	4,776,616	\$1,234
Interest	3,000	3,833	4,151	318
Tuition and Fees	276,402	252,936	252,936	
Miscellaneous	23,679	16,321	16,326	5
<b>Total Receipts</b>	<b>7,667,076</b>	<b>7,654,107</b>	<b>7,655,664</b>	<b>1,557</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,404,905	3,167,805	3,259,683	(91,878)
Special	1,017,348	1,017,348	1,005,998	11,350
Vocational	301,696	333,695	293,740	39,955
Support Services:				
Pupil	163,650	163,750	115,846	47,904
Instructional Staff	36,479	36,479	138,627	(102,148)
Board of Education	25,628	25,628	17,872	7,756
Administration	529,763	529,764	531,663	(1,899)
Fiscal	284,947	279,947	268,645	11,302
Operation and Maintenance of Plant	550,728	550,728	497,737	52,991
Pupil Transportation	326,252	326,252	276,713	49,539
Central Office	59,975	59,975	63,471	(3,496)
Extracurricular Activities	187,248	187,248	182,642	4,606
<b>Total Disbursements</b>	<b>6,888,619</b>	<b>6,678,619</b>	<b>6,652,637</b>	<b>25,982</b>
<b>Excess of Receipts Over Disbursements</b>	<b>778,457</b>	<b>975,488</b>	<b>1,003,027</b>	<b>27,539</b>
<b>Other Financing Sources (Uses)</b>				
Advances In	517,177	444,563	444,563	
Advances Out	(256,577)	(206,577)	(196,144)	10,433
Transfer Out	(220,248)	(213,448)	(220,248)	(6,800)
<b>Total Other Financing Sources (Uses)</b>	<b>40,352</b>	<b>24,538</b>	<b>28,171</b>	<b>3,633</b>
<b>Net Change in Fund Balance</b>	<b>818,809</b>	<b>1,000,026</b>	<b>1,031,198</b>	<b>31,172</b>
Fund Balance Beginning of Year	3,678,639	3,678,639	3,678,639	
Prior Year Encumbrances Appropriated	43,303	43,303	43,303	
<b>Fund Balance End of Year</b>	<b>\$4,540,751</b>	<b>\$4,721,968</b>	<b>\$4,753,140</b>	<b>\$31,172</b>

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, 2016**

	<u>Food Service Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$65,049</u></u>
<b>Net Position</b>	
Restricted	<u><u>\$65,049</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, 2016**

	Food Service Fund
<b>Operating Receipts</b>	
Charges for Services	<u>\$141,436</u>
<b>Operating Disbursements</b>	
Personal Services	172,142
Materials and Supplies	<u>173,209</u>
Total Operating Disbursements	<u>345,351</u>
Operating Loss	<u>(203,915)</u>
<b>Non-Operating Receipts</b>	
Interest	12
Intergovernmental Revenue	203,885
Other Non-Operating Revenue	<u>1,331</u>
Total Non-Operating Receipts	<u>205,228</u>
Changes in Net Position	1,313
Net Position - Beginning of Year	<u>63,736</u>
Net Position - End of Year	<u><u>\$65,049</u></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, 2016**

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$144,511</u>	<u>\$28,088</u>
<b>Liabilities</b>		
Due to Students		<u>\$28,088</u>
<b>Net Position</b>		
Restricted:		
Held in Trust for Scholarships	<u>\$144,511</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, 2016**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	<u>\$1,975</u>
<b>Deductions</b>	
Scholarship Payments	<u>6,000</u>
Change in Net Position	(4,025)
Net Position Beginning of Year	<u>148,536</u>
Net Position End of Year	<u><u>\$144,511</u></u>

*See accompanying notes to the basic financial statements*

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**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 542<sup>nd</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. The District is staffed by 27 classified employees, 49 certified teaching personnel, and four administrative employees who provide services to 672 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 four 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:

Public Entity Risk Pool:

- Schools of Ohio Risk Sharing Authority
- Putnam County Schools Insurance Group
- Ohio Association of School Business Officials Workers' Compensation Group Rating Program

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, 2016  
(Continued)**

**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 position 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 and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**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.

**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".

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

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 2016, the School District invested in certificates of deposit, money market deposit accounts and savings accounts.

District allocates interest earning according to state statute. Interest revenue credited to the General Fund during fiscal year 2016 was \$4,151, which includes \$785 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.

**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 assets 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:

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

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 School 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.

**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 2016.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**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 \$333,626 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 \$333,626, only \$17,563 was required by state statute and is reported as restricted funds in the General Fund. For the remaining \$316,063, the Board may remove 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 2016, the District has implemented GASB Statement No. 72, *"Fair Value Measurement and Application"*, GASB Statement No. 73 *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, GASB Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, and GASB Statement No. 79, *"Certain External Investment Pools and Pool Participants"*.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 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 regulatory 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.

**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 \$17,120 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:

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**Net Change in Fund Cash Balance**

	<u>General Fund</u>
Cash Basis	\$1,139,026
Funds Budgeted Elsewhere	(90,708)
Adjustment for Encumbrances	(17,120)
Budget Basis	<u>\$1,031,198</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Public School Support Fund, Education Foundation Fund and 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:

1. United States treasury notes, bills, bonds, or other obligations 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;



**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); 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;
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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, 2016, \$3,485,669 of the District's bank balance of \$6,756,403 was exposed to custodial risk as discussed below, while \$3,270,734 was covered by Federal Deposit Insurance Corporation.

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

**Investments**

As of June 30, 2016, the District had no investments.

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**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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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, 2016 was \$34.20 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2016 taxes were collected were as follows:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$82,606,440	80.38%	\$82,670,180	80.07%
Industrial/Commercial	12,853,630	12.51%	12,777,400	12.38%
Public Utility	7,315,210	7.11%	7,797,460	7.55%
Total Assessed Value	<u>\$102,775,280</u>	<u>100.00%</u>	<u>\$103,245,040</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.20		\$34.20	

The amount available as an advance at June 30, 2016 was \$157,401 in the General Fund, \$17,067 in the Bond Retirement Fund.

**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 \$361,621 and \$180,539, respectively, for fiscal year 2016.

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**8. Interfund Balances**

At June 30, 2016 the District had the following inter-fund advances outstanding from the General Fund:

Fund	Outstanding Advance
Title II-A	\$12,181

**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

**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. Ohio Association of School Business Officials Workers' Compensation Group Rating Program**

For fiscal year 2016, the District participated in the Ohio Association of School Business Officials 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

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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 Plans**

**A. Net Pension Liability**

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.

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.

**B. 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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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	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 years 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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The District's contractually required contribution to SERS was \$93,878 for fiscal year 2016.

**C. 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 publicly available 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](http://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

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August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with 5 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 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 a 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 service. 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 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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased 1 percent to 14 percent. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$404,475 for fiscal year 2016.

**D. Net Pension Liability**

The net pension liability was measured as of June 30, 2015, 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:

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	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net			
Pension Liability	\$ 1,404,967	\$ 7,653,087	\$ 9,058,054
Proportion of the Net Pension			
Liability	0.2462220%	0.27691380%	

**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 valuation 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, 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 expenses, 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 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 average 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 the long-term expected real rates of return for each major asset class are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	100.00%	

**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 earnings 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 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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District’s proportionate share Of the net pension liability	\$1,948,184	\$1,404,967	\$947,533

**Changes Between Measurement Date and Report Date** – In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District’s net pension liability is expected to be significant.

**F. Actuarial Assumption – STRS**

The total pension liability in the June 30, 2015, 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.



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Actuarial assumptions used in the June 30, 2015, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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>100.00%</u>	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member 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, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share Of the net pension liability	\$10,630,716	\$7,653,087	\$5,135,059

**Changes Between Measurement Date and Report Date** – In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

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**G. Social Security System**

Effective July 1, 1991, all officials not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2016, four Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**11. Postemployment Benefits**

**A. School Employees Retirement System**

Health Care Plan Description – The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated 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](http://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.

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 2016, no allocation 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 2016, this amount was \$23,000. State statute provides 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 2016, the District's surcharge obligation was \$12,060.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$5,499, \$5,372, and \$893, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

**B. 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

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included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888)227-7877.

Funding Policy – Ohio Revised Code 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 2016, 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, 2016, 2015, and 2014 were \$0, \$0, and \$28,948 respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

**12. Debt**

The changes in the District's debt obligations during fiscal year 2016 consist of the following:

	Principal Outstanding 06/30/2015	Reductions	Principal Outstanding 06/30/2016	Amount Due in One Year
<b>Governmental Activities</b>				
OASBO Lease/Purchase Agreement (4.40%)	\$703,000	\$703,000		
New Facility Construction Bonds (2.58%)	3,065,000	245,000	\$2,820,000	\$255,000
<b>Total</b>	<b>\$3,768,000</b>	<b>\$948,000</b>	<b>\$2,820,000</b>	<b>\$255,000</b>

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 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. During fiscal year 2016, the School District Advance repaid the lease/purchase agreement.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2016 are as follows:

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

Fiscal Year	Facility Construction Bonds		Total
	Principal Due	Interest Due	Debt Obligation
2017	\$255,000	\$69,467	\$324,467
2018	260,000	62,823	322,823
2019	200,000	56,889	256,889
2020	205,000	51,665	256,665
2021	215,000	46,247	261,247
2022-2026	1,180,000	143,190	1,323,190
2027-2028	505,000	12,836	517,836
<b>Total</b>	<b>\$2,820,000</b>	<b>\$443,117</b>	<b>\$3,263,117</b>

**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 2016, 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 textbooks, capital maintenance and budget stabilization:

	Capital Acquisition	Budget Reserve
Balance June 30, 2015		\$17,563
Current Year Set-Aside Requirements	\$108,894	
Current Year Off-Sets	(\$108,894)	
Set-Aside Amounts as of June 30, 2016		\$17,563

The District had current year offsets during the fiscal year that reduced the capital improvements set aside amount to below zero. However, this amount cannot be carried forward to reduce future set aside requirements, and therefore is not reflected in this schedule.

**14. Interfund Transfers**

During 2016, there was one transfer from the Permanent Improvement Fund to the Other Governmental Classroom Facilities Maintenance Fund in the amount of \$31,296.

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**15. Interfund Advances**

During 2016 the following advances were made:

		Advances In			
		General	Other Governmental	Agency	Total
Governmental Funds:					
Advances Out	General		\$195,996	\$148	\$196,144
	Permanent Improvement	\$250,000			250,000
	Other Governmental	194,415			194,415
	Agency	148	_____	_____	148
Total		\$444,563	\$195,996	\$148	\$640,707

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 \$260,600 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, 2016 will not have a material adverse effect on the District.

**B. Litigation**

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

**C. School Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-15 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 State 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, 2016 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.

**LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**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 2016, the District paid \$26,608 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.

**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](http://www.sstr1.org).



# 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 years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 2, 2018, 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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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 2017-001.

***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

May 2, 2018



LEIPSIC LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2017 AND 2016

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

FINDING NUMBER 2017-001

**Noncompliance Citation**

**Ohio Rev. Code § 117.38** provides that each public office, other than a state agency, 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)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District lacked a Governmental Accounting Standards Board (GASB) Statement No. 34 policy and as a cost savings measure, decided to prepare its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, presumably, cannot be reasonably determined at this time. The District can 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:**

We did not receive a response from Officials to the finding reported above.

# LEIPSIC LOCAL SCHOOL DISTRICT

232 Oak Street  
 Leipsic, Ohio 45856  
 Phone: 419-943-2165  
 Fax: 419-943-4331  
 llsdk12.org

Board of Education:

Tim Nadler                      John Schortgen      Nancey Schortgen  
 Cindy Erickson                Sam Walther          David Miller, Treasurer

Greg Williamson, Superintendent  
 Brian Bennett, Middle/High School Principal  
 Darren Henry, Elementary Principal

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding first reported in 2004. Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on basis other than generally accepted accounting principles.	Not Corrected and reissued as finding 2017-001 in this report.	The finding reoccurred since the District continues to elect to file OCBOA financial statements.
2015-002	Finding first reported in 2011. Material weakness for lack of monitoring of financial transactions due to errors in the financial statements.	Fully Corrected	



# 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.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 22, 2018