



Dave Yost • Auditor of State

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

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

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2014, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

Columbus, Ohio

March 14, 2014

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

This discussion and analysis of the Leipsic Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2013, within the limitations of the District's Other Comprehensive Basis of Accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key highlights for 2013 are as follows:

Net position of governmental activities decreased \$115,637, or 1.79 percent, from the prior year.

Net position of business type activities decreased \$33,697, or 44.17 percent, from the prior year.

The District's general governmental receipts were \$9,458,486 or 81.96 percent of all revenue, these being primarily property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,081,240 or 18.04 percent of total revenues of \$11,539,726.

The District's business type general receipts were \$1,325 or 0.39 percent of all revenue, these being primarily interest and miscellaneous revenue. Program specific revenues in the form of charges for services and operating grants accounted for \$338,845 or 99.61 percent of total revenues of \$340,170.

The District had \$11,655,363 in expenses related to governmental activities: only \$2,081,240 of these expenses were offset by program specific charges for services and grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,458,486 were not adequate to provide for these programs.

The District had \$373,867 in expenses related to business type activities, these expenses were offset by program specific charges for services and operating grants of \$338,845. The District also had \$1,325 in general revenues and a beginning cash balance of \$76,293 which were adequate to provide for these programs.

The District's major governmental funds were the General Fund and Ohio School Facility Commission (OSFC) Classroom Facility Assistance Program (CFAP) Fund. The major funds had \$6,699,627 and \$67,509, respectively, in revenues and other financing sources, and \$6,413,701 and \$705,468, respectively, in expenditures and other financing uses. During fiscal year 2013, the major funds' balances, increased or (decreased) by \$285,926 and (\$637,959), respectively.

The District's business type Food Service Fund had \$340,170 in revenue and \$373,867 in expenses. During fiscal year 2013 the food service fund balance decreased \$33,697 from \$76,293 to \$42,596.

Using this Annual Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's Cash Basis of Accounting.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. For governmental and business type funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For Leipsic Local School District, the General Fund, OSFC/CFAP Fund, and the Food Service Fund are the most significant funds.

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

Basis of Accounting

Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. The District has elected to present its financial statements on cash basis of accounting. Under the District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2013, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Factors which contribute to these changes may include, but not limited to, the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and required educational programs.

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Reporting the District's Most Significant Funds

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

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

Governmental Funds - Most of the District activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

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

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2013 compared to fiscal year 2012 on the cash basis of accounting.

**Table 1
Net Position**

	Governmental Activities 2013	Governmental Activities 2012	Business Type Activities 2013	Business Type Activities 2012	Total Activities 2013	Total Activities 2012
Assets:						
Cash and Cash Equivalents	\$6,356,141	\$6,471,778	\$42,596	\$76,293	\$6,398,737	\$6,548,071
Net Position:						
Restricted	3,379,774	3,897,217	42,596	76,293	3,422,370	3,973,510
Unrestricted	2,976,367	2,574,561			2,976,367	2,574,561
Total Net position	\$6,356,141	\$6,471,778	\$42,596	\$76,293	\$6,398,737	\$6,548,071

Over time, net position can serve as a useful indicator of a government's financial position. At year-end, net position were \$6,356,141 for governmental activities and \$42,596 for business type activities.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

A portion of the District's net position, \$3,379,774, represents resources that are subject to external restriction on how they may be used. The remaining balance of net position of \$2,976,367 may be used to meet the District's ongoing obligations to the students and creditors. The entire business type net position total is restricted.

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

Table 2

	Governmental Activities 2013	Business Type Activities 2013	Governmental Activities 2012	Business Type Activities 2012
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$318,180	\$162,536	\$367,875	\$176,112
Operating Grants and Contributions	1,688,882	176,309	1,004,662	194,575
Capital Grants and Contributions	74,178		380,609	
Total Program Receipts	2,081,240	338,845	1,753,146	370,687
General Receipts:				
Property Taxes Levied for General Purposes	1,701,711		1,690,910	
Property Taxes Levied for Debt Service	211,949		217,374	
School District Income Taxes for General Purposes	329,056		320,335	
School District Income Taxes for Capital Projects	164,281		160,049	
Payment in Lieu of Taxes	19,761		18,489	
Grants and Entitlements Not Restricted to Specific Programs	3,340,833		3,473,916	
Proceeds from Sale of Capital Assets	1,136		7,155	
Donations	95,500		64,000	
Interest	2,236	11	3,689	
Bond Proceeds	3,370,000			
Bond Premium	209,109			
Miscellaneous	12,914	1,314	29,764	1,146
Total General Receipts	\$9,458,486	\$1,325	\$5,985,681	\$1,146
Total Receipts	\$11,539,726	\$340,170	\$7,738,827	\$371,833
Disbursements:				
Instruction:				
Regular	2,983,087		2,954,934	
Special	1,057,938		932,017	
Vocational	309,958		307,828	
Support Services:				
Pupil	78,828		67,730	
Instructional Staff	238,259		275,262	
Board of Education	27,863		28,717	
Administration	503,960		494,589	
Fiscal	237,701		253,235	
Operation and Maintenance of Plant	523,127		494,872	
Pupil Transportation	293,465		423,704	
Operation of non-instructional services	101,201		78,502	
Food Services		373,867		377,590
Extracurricular Activities	369,185		317,618	
Capital Outlay	978,247		5,202,160	

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Payment to Escrow	3,520,654			
Debt Service				
Principal	207,002		434,808	
Bond Issuance	58,455			
Interest and Fiscal Charges	166,433		208,431	
Total Disbursements	11,655,363	373,867	12,474,407	377,590
Increase (Decrease) in Net Position	(115,637)	(33,697)	(4,735,580)	(5,757)
Net Position, July 1	6,471,778	76,293	11,207,358	82,050
Net Position, June 30	\$6,356,141	\$42,596	\$6,471,778	\$76,293

Net position of the District's governmental activities decreased \$115,637. Total governmental expenses of \$11,655,363 were offset by program revenues of \$2,081,240 and general revenues of \$9,458,486. Program revenues supported 17.86 percent of the total governmental expenses.

The primary sources of revenue for the governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 49.81 percent of total governmental revenue. Real estate property is reappraised every six years.

Net position of the District's business type activities decreased \$33,697. Total business type expenses of \$373,867 were offset by program revenues of \$338,845 and general revenues of \$1,325.

Governmental and Business Type Activities

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

Table 3

	Governmental Activities		Business Type Activities		Governmental Activities		Business Type Activities	
	Total Cost		Total Cost		Total Cost of		Total Cost of	
	of	Net Cost of	of	Net Cost of	Services	Services	Services	Net Cost of
	Services	Services	Services	Services	Services	Services	Services	Services
	2013	2013	2013	2013	2012	2012	2012	2012
Current:								
Instruction:								
Regular	\$2,983,087	\$2,475,756			\$2,954,934	\$2,699,262		
Special	1,057,938	210,735			932,017	363,178		
Vocational	309,958	228,278			307,828	225,932		
Support Services:								
Pupil	78,828	75,228			67,730	64,130		
Instructional Staff	238,259	117,129			275,262	245,434		
Board of Education	27,863	27,863			28,717	28,717		
Administration	503,960	503,960			494,589	494,589		
Fiscal	237,701	237,701			253,235	253,235		
Operation & Maintenance of Plant	523,127	523,127			494,872	494,872		
Pupil Transportation	293,465	273,429			423,704	354,604		

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Operation of non-instructional serv.	101,201	25,162			78,502	(2,841)		
Operation of Food Services			\$373,867	\$35,022			\$377,590	\$6,903
Extracurricular Activities	369,185	176,075			317,618	175,030		
Capital Outlay	978,247	890,789			5,202,160	4,821,551		
Payment to Bond Escrow	3,520,654	3,520,654						
Debt Service								
Principal	207,002	66,483			434,808	295,137		
Bond Issuance	58,455	58,455						
Interest and Fiscal Charges	166,433	163,299			208,431	208,431		
Total Disbursements	\$11,655,363	\$9,574,123	\$373,867	\$35,022	\$12,474,407	\$10,721,261	\$377,590	\$6,903

The dependence upon tax receipts and unrestricted state entitlements is apparent, 66.99 percent of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 82.14 percent. The District's taxpayers, as a whole, are by far the primary support for District students.

The Government's Funds

The District's funds are accounted for using the cash basis of accounting. Fund balance in the General Fund increased \$285,926 largely due to increase in local property and income taxes and intergovernmental receipts. The \$637,959 decrease in fund balance in the OSFC/CFAP Fund was due to the building project moving closer to completion.

General Fund Budgeting Highlights

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

During fiscal year 2013, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts and other financing sources, in the amount of \$6,505,501, exceeded the amount of the original budgeted revenue and other financing sources estimate of \$6,503,710. Actual revenues and other financing sources for fiscal year 2013 was \$6,682,258. This represents a \$176,757 increase from final budgeted revenues.

General Fund final budgeted appropriations (appropriated expenditures plus other financing uses) of \$6,388,618 were \$30,105 more than the original budget amount of \$6,358,513. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$6,355,998, which was \$32,620 less than the final budget appropriations.

Debt

At June 30, 2013, the District had outstanding debt of \$3,530,000 in facility construction bonds issued for the District portion of the new school building project; and \$780,000 in a lease/purchase agreement. The lease/purchase was used to renovate the 1963 section of the current school building.

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Current Issues

The challenge for all districts is to provide quality educational services to the public while staying within the restrictions imposed by limited funding, and in some cases shrinking funding. The District relies heavily on unrestricted state entitlements and local taxes. The District's five year forecast predicts no deficits in the near future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mr. David Miller, Treasurer, Leipsic Local School District, 232 Oak Street, Leipsic Ohio 45856-1312.

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Net Position - Cash Basis
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets	<u>\$6,356,141</u>	<u>\$42,596</u>	<u>\$6,398,737</u>
Net Position			
Restricted for:			
Capital Projects	2,447,404		2,447,404
Debt Service	336,721		336,721
Other Purposes	578,086	42,596	620,682
Set Asides	17,563		17,563
Unrestricted	<u>2,976,367</u>		<u>2,976,367</u>
<i>Total Net Position</i>	<u>\$6,356,141</u>	<u>\$42,596</u>	<u>\$6,398,737</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2013

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current:							
Instruction:							
Regular	\$2,983,087	\$26,515	\$480,816		(\$2,475,756)		(\$2,475,756)
Special	1,057,938	5,222	841,981		(210,735)		(210,735)
Vocational	309,958	81,680			(228,278)		(228,278)
Support Services:							
Pupil	78,828		3,600		(75,228)		(75,228)
Instructional Staff	238,259		121,130		(117,129)		(117,129)
Board of Education	27,863				(27,863)		(27,863)
Administration	503,960				(503,960)		(503,960)
Fiscal	237,701				(237,701)		(237,701)
Operation and Maintenance of Plant	523,127				(523,127)		(523,127)
Pupil Transportation	293,465	20,036			(273,429)		(273,429)
Operation of Non-Instructional Services	101,201		76,039		(25,162)		(25,162)
Extracurricular Activities	369,185	184,727	1,714	\$6,669	(176,075)		(176,075)
Capital Outlay	978,247		19,949	67,509	(890,789)		(890,789)
Payment to Bond Escrow	3,520,654				(3,520,654)		(3,520,654)
Debt Repayment:							
Principal	207,002		140,519		(66,483)		(66,483)
Bond Issuance	58,455				(58,455)		(58,455)
Interest and Fiscal Charges	166,433		3,134		(163,299)		(163,299)
<i>Total Governmental Activities</i>	<u>11,655,363</u>	<u>318,180</u>	<u>1,688,882</u>	<u>74,178</u>	<u>(9,574,123)</u>		<u>(9,574,123)</u>
Business-Type Activity							
Food Service	373,867	162,536	176,309			(\$35,022)	(35,022)
Total	<u>\$12,029,230</u>	<u>\$480,716</u>	<u>\$1,865,191</u>	<u>\$74,178</u>	<u>(9,574,123)</u>	<u>(35,022)</u>	<u>(9,609,145)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					1,701,711		1,701,711
Debt Service					211,949		211,949
Income Taxes Levied for:							
General Purposes					329,056		329,056
Capital Projects					164,281		164,281
Grants and Entitlements not Restricted to Specific Programs					3,340,833		3,340,833
Payments in Lieu of Taxes					19,761		19,761
Proceeds from Sale of Capital Assets					1,136		1,136
Bond Proceeds					3,370,000		3,370,000
Bond Premium					209,109		209,109
Interest					2,236	11	2,247
Donations					95,500		95,500
Miscellaneous					12,914	1,314	14,228
<i>Total General Receipts</i>					<u>9,458,486</u>	<u>1,325</u>	<u>9,459,811</u>
Change in Net Position					(115,637)	(33,697)	(149,334)
<i>Net Position Beginning of Year</i>					<u>6,471,778</u>	<u>76,293</u>	<u>6,548,071</u>
<i>Net Position End of Year</i>					<u>\$6,356,141</u>	<u>\$42,596</u>	<u>\$6,398,737</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, 2013

	<u>General</u>	<u>OSFC/CFAP Facility Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$3,271,081</u>	<u>\$2,135,064</u>	<u>\$949,996</u>	<u>\$6,356,141</u>
Fund Balances				
Non-Spendable:	4,832			4,832
Restricted for:				
Capital Projects		2,135,064	345,808	2,480,872
Set-a-sides	17,563			17,563
Debt Service			336,721	336,721
Other Purposes			107,013	107,013
Total Restricted	<u>17,563</u>	<u>2,135,064</u>	<u>789,542</u>	<u>2,942,169</u>
Committed for:				
Capital Projects			97,311	97,311
Education Foundation	15,033		63,143	78,176
Termination Benefits	251,266			251,266
Total Committed	<u>266,299</u>		<u>160,454</u>	<u>426,753</u>
Assigned for:				
Encumbrances	12,835			12,835
Other Purposes	10,852			10,852
Total Assigned	<u>23,687</u>			<u>23,687</u>
Unassigned	<u>2,958,700</u>			<u>2,958,700</u>
<i>Total Fund Balances</i>	<u>\$3,271,081</u>	<u>\$2,135,064</u>	<u>\$949,996</u>	<u>\$6,356,141</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, 2013

	General	OSFC/CFAP Facility Construction	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,701,711		\$211,949	\$1,913,660
Income Taxes	329,056		164,281	493,337
Payment in Lieu of Taxes			19,761	19,761
Intergovernmental	4,156,120	\$65,312	963,749	5,185,181
Interest	2,149	2,197	144	4,490
Tuition and Fees	31,737			31,737
Extracurricular Activities	6,669		185,389	192,058
Donations	10,700		84,800	95,500
Miscellaneous	19,623		4,134	23,757
<i>Total Receipts</i>	<u>6,257,765</u>	<u>67,509</u>	<u>1,634,207</u>	<u>7,959,481</u>
Disbursements				
Current:				
Instruction:				
Regular	2,869,986		113,101	2,983,087
Special	757,240		300,698	1,057,938
Vocational	280,222		29,736	309,958
Support Services:				
Pupil	75,228		3,600	78,828
Instructional Staff	126,884		111,375	238,259
Board of Education	27,863			27,863
Administration	503,960			503,960
Fiscal	227,880		9,821	237,701
Operation and Maintenance of Plant	523,127			523,127
Pupil Transportation	293,465			293,465
Operation of Non-Instructional Services			101,201	101,201
Extracurricular Activities	197,780		171,405	369,185
Capital Outlay		705,468	272,779	978,247
Debt Service:				
Principal Retirement			207,002	207,002
Interest and Fiscal Charges			166,433	166,433
Bond Issuance			58,455	58,455
<i>Total Disbursements</i>	<u>5,883,635</u>	<u>705,468</u>	<u>1,545,606</u>	<u>8,134,709</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>374,130</u>	<u>(637,959)</u>	<u>88,601</u>	<u>(175,228)</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	1,136			1,136
Bond Proceeds			3,370,000	3,370,000
Bond Premium			209,109	209,109
Payment to Bond Escrow			(3,520,654)	(3,520,654)
Advance In	440,726		457,757	898,483
Advance Out	(457,757)		(440,726)	(898,483)
Transfers In			72,309	72,309
Transfers Out	(72,309)			(72,309)
<i>Total Other Financing Sources (Uses)</i>	<u>(88,204)</u>		<u>147,795</u>	<u>59,591</u>
<i>Net Change in Fund Balances</i>	285,926	(637,959)	236,396	(115,637)
<i>Fund Balances Beginning of Year</i>	<u>2,985,155</u>	<u>2,773,023</u>	<u>713,600</u>	<u>6,471,778</u>
<i>Fund Balances End of Year</i>	<u>\$3,271,081</u>	<u>\$2,135,064</u>	<u>\$949,996</u>	<u>\$6,356,141</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual Comparison -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property Taxes	\$1,689,391	\$1,691,182	\$1,701,711	\$10,529
Income Taxes	324,948	324,948	329,056	4,108
Intergovernmental	4,146,060	4,146,060	4,156,120	10,060
Interest	3,600	3,600	2,149	(1,451)
Tuition and Fees	33,500	33,500	31,737	(1,763)
Miscellaneous	19,900	19,900	19,623	(277)
<i>Total receipts</i>	<u>6,217,399</u>	<u>6,219,190</u>	<u>6,240,396</u>	<u>21,206</u>
Disbursements				
Current:				
Instruction:				
Regular	3,023,570	2,863,500	2,867,221	(3,721)
Special	729,102	729,102	757,240	(28,138)
Vocational	299,991	300,838	280,222	20,616
Support Services:				
Pupil	62,967	52,041	75,228	(23,187)
Instructional Staff	140,165	140,165	127,222	12,943
Board of Education	24,000	24,000	27,863	(3,863)
Administration	532,799	532,799	504,000	28,799
Fiscal	227,631	212,897	227,880	(14,983)
Operation and Maintenance of Plant	596,412	596,412	545,587	50,825
Pupil Transportation	309,136	309,136	293,465	15,671
Extracurricular Activities	139,921	139,921	192,313	(52,392)
<i>Total Disbursements</i>	<u>6,085,694</u>	<u>5,900,811</u>	<u>5,898,241</u>	<u>2,570</u>
<i>Excess of Receipts Over Disbursements</i>	<u>131,705</u>	<u>318,379</u>	<u>342,155</u>	<u>23,776</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets			1,136	1,136
Advances In	286,311	286,311	440,726	154,415
Advances Out	(252,400)	(467,388)	(457,757)	9,631
Transfers Out	(20,419)	(20,419)		20,419
<i>Total Other Financing Sources (Uses)</i>	<u>13,492</u>	<u>(201,496)</u>	<u>(15,895)</u>	<u>185,601</u>
<i>Net Change in Fund Balance</i>	145,197	116,883	326,260	209,377
<i>Fund Balance Beginning of Year</i>	2,862,609	2,862,609	2,862,609	
Prior Year Encumbrances Appropriated	25,811	25,811	25,811	
<i>Fund Balance End of Year</i>	<u><u>\$3,033,617</u></u>	<u><u>\$3,005,303</u></u>	<u><u>\$3,214,680</u></u>	<u><u>\$209,377</u></u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fund Net Position - Cash Basis
Proprietary Fund
June 30, 2013

	<u>Food Service Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$42,596</u></u>
Net Position	
Unassigned	<u><u>\$42,596</u></u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Receipts, Disbursements and Change in
Fund Net Position - Cash Basis - Proprietary Fund
For the Fiscal Year Ended June 30, 2013

	Food Service Fund
Operating Receipts	
Charges for Services	\$162,536
Operating Disbursements	
Personal Services	174,405
Materials and Supplies	199,462
<i>Total Operating Disbursements</i>	373,867
<i>Operating Loss</i>	(211,331)
Non-Operating Receipts:	
Interest	11
Intergovernmental Revenue	176,309
Other Non-Operating Revenue	1,314
<i>Total Non-Operating Receipts</i>	177,634
<i>Change in Net Position</i>	(33,697)
Net Position - Beginning of Year	76,293
Net Position - End of Year	\$42,596

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, 2013

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$155,460</u>	<u>\$29,806</u>
Liabilities		
Due to students	<u> </u>	<u>29,806</u>
Total Liabilities	<u> </u>	<u>\$29,806</u>
Net Position		
Restricted:		
Held in Trust for Scholarships	<u>155,460</u>	
Total Net Position	<u>\$155,460</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, 2013

	<u>Private Purpose Trust</u>
Additions	
Interest	<u>\$2,751</u>
Deductions	
Scholarship Payments	<u>6,000</u>
<i>Changes in Net Position</i>	(3,249)
<i>Net Position Beginning of Year</i>	<u>158,709</u>
<i>Net Position End of Year</i>	<u><u>\$155,460</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, 2013**

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 560th largest in the State of Ohio (among 612 school districts) in terms of enrollment. The District is staffed by 27 classified employees, 47 certified teaching personnel, and four administrative employees who provide services to 616 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 two 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 16 to the basic financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Millstream Career Cooperative

Public Entity Risk Pool:

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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, 2013
(Continued)**

2. Summary of Significant Accounting Policies (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.

Ohio School Facility Commission Classroom Facility Assistance Program (OSFC/CFAP) Facility Construction Fund This capital projects fund accounts for financial resources and activity, both local and State, used for the construction of the District's new school building.

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

D. Cash, Cash Equivalents and Investments

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

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

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

During 2013, the School District invested in STAR Ohio, certificates of deposit, money market deposit accounts and savings accounts.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

District allocates interest earning according to state statute. Interest revenue credited to the General Fund during fiscal year 2013 was \$2,149, which includes \$439 assigned from other District funds.

E. Inventory and Prepaid Items

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

F. Capital Assets

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

G. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

H. Long-term Obligations

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

I. Net Position

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

J. Fund Balance Reserves

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

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

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

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

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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 net 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 2013.

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 and permanent improvement fund, and the fund as its legal level of control for all other funds.

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

N. Stabilization Arrangement

The Board of Education has \$311,385 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 \$311,385, only \$17,563 was required by state statute and is reported as restricted funds in the General Fund. For the remaining \$293,822, the Board may remove the budget stabilization arrangement at any time, therefore the amount is reported as unassigned fund balance in the General Fund

3. Accounting and Compliance

A. Change in Accounting Principle

For 2013, the District has implemented GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*". GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

B. Compliance

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

Budgetary

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$30,918 in the general fund.

The following table summarizes the adjustments necessary to reconcile the cash basis 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, 2013
(Continued)**

4. Budgetary Basis of Accounting (Continued)

Net Change in Fund Cash Balance	
	General Fund
Cash Basis	\$285,926
Funds Budgeted Elsewhere	71,252
Adjustment for Encumbrances	(30,918)
Budget Basis	\$326,260

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

5. Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. Deposits and Investments (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Deposits with Financial Institutions

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

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$3,460,435 of the District's bank balance of \$6,486,765 was exposed to custodial risk as discussed below, while \$3,267,606 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.

**LEIPSIC LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. Deposits and Investments (Continued)

Investments

As of June 30, 2013, the District's only investment was \$241,276 in STAR Ohio

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

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 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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, 2013 was \$35.70 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2013 taxes were collected were as follows:

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. Property Taxes (Continued)

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$59,011,900	76.91%	\$59,211,460	76.80%
Industrial/Commercial	12,502,710	16.30%	12,473,740	16.18%
Public Utility	5,211,230	6.79%	5,411,820	7.02%
Total Assessed Value	<u>\$76,725,840</u>	<u>100.00%</u>	<u>\$77,097,020</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$36.05		\$35.70	

The amount available as an advance at June 30, 2013 was \$135,570 in the General Fund, \$16,739 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 \$329,056 and \$164,281, respectively, for fiscal year 2013.

8. Interfund Balances

At June 30, 2013 the District had the following inter-fund advances outstanding from the General Fund:

Fund	Outstanding Advance
Permanent Improvement Fund	\$300,000
Facility Construction	146,000
Auxiliary Service Fund	942
Total	<u>\$446,942</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. Risk Management (Continued)

C. Workers' Compensation

For fiscal year 2013 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

10. Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under **Employer/Audit Resources**.

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 requirement of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund) of the System. For fiscal year ended June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health care and Medicare B funds. The District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$90,728, \$96,282, and \$92,375 respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. Defined Benefit Pension Plans (Continued)

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to 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. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula-benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total numbers of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine other STRS Ohio funds.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. Defined Benefit Pension Plans (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program included hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. Required District contributions for the years ended June 30, 2013, 2012, and 2011 were \$397,306, \$386,599, and \$367,652, respectively. The contribution to STRS Ohio for the DC for FY 2013 was \$188 made by the District and \$2,026 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2012 *Comprehensive Annual Financial Report* will be available after Dec. 17, 2012.

Additional information or copies of STRS Ohio's 2012 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.stroh.org.

C. Social Security System

Effective July 1, 1991, all officials not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, three Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. Postemployment Benefits

A. School Employees Retirement System

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

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is 0.74%. The District's contributions for the years ended June 30, 2013, 2012, and 2011 were \$4,796, \$4,879, and \$5,945, respectively, which equaled the required contributions each year.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. District contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$11,674, \$14,998, and \$11,185, respectively.

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. Postemployment Benefits (Continued)

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

B. State Teachers Retirement System

Plan Description – STRS Ohio administers a pension that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physician' fees, prescription drugs and reimbursement of monthly Medicare part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012, and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. Required District contributions for health care for fiscal years ended June 30, 2013, 2012, and 2011 were \$28,379, \$27,614, and \$28,281, respectively.

12. Debt

The changes in the District's debt obligations during fiscal year 2013 consist of the following:

	Principal Outstanding 06/30/2012	Additions	Reductions	Principal Outstanding 06/30/2013	Amount Due in One Year
Governmental Activities					
EPA Asbestos Removal Note (0%)	\$16,000		\$16,000		
OASBO Lease/Purchase Agreement (4.40%)	816,000		36,000	\$780,000	\$38,000
New Facility Construction Bonds (2.58%)		\$3,370,000		3,370,000	70,000
Facility Construction Bonds (4.41%)	3,685,000		3,525,000	160,000	160,000
Total	<u>\$4,517,000</u>	<u>\$3,370,000</u>	<u>\$3,577,000</u>	<u>\$4,310,000</u>	<u>\$268,000</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. Debt (Continued)

During fiscal year 1994 the District entered into an agreement with the United States Environmental Protection Agency to remove friable asbestos from the school. The loan agreement calls for the loan to be paid back semiannually over 18 years beginning in May 1995. During fiscal year 2013, the agreement was fully redeemed by the District.

During fiscal year 2004, the District's voters approved a 28 year, 4.97 mill bond levy which enabled the District to issue \$4,800,000 in facility construction bonds. These bonds have an average interest rate of 4.41% and will mature in 2027 (23 years). The District's ability to pay off the bonds is guaranteed through both the collection of the voter approved levy and bond insurance.

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

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

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2013 are as follows:

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. Debt (Continued)

Fiscal Year	New Facility Construction Bonds		Old Facility Construction Bonds	
	Principal Due	Interest Due	Principal Due	Interest Due
2014	\$70,000	\$86,043	\$160,000	\$2,600
2015	235,000	82,109		
2016	245,000	75,916		
2017	255,000	69,467		
2018	260,000	62,823		
2019-2023	1,070,000	230,265		
2024-2028	1,235,000	80,560		
Total	<u>\$3,370,000</u>	<u>687,183</u>	<u>\$160,000</u>	<u>\$2,600</u>

Fiscal Year	OASBO Lease/Purchase		Total Debt Obligation
	Principal Due	Interest Due	
2014	\$38,000	\$33,484	\$390,127
2015	39,000	31,790	387,899
2016	41,000	30,030	391,946
2017	43,000	28,182	395,649
2018	45,000	26,246	394,069
2019-2023	256,000	99,088	1,655,353
2024-2028	318,000	36,168	1,669,728
Total	<u>\$780,000</u>	<u>\$284,988</u>	<u>\$5,284,771</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 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 2013, only the unspent portion of prior year bureau of workers compensation refunds is shown as a set-aside at year end.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. Set-Aside Calculations (Continued)

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, 2012	\$19,562	\$17,563
Current Year Set-aside Requirements	104,937	
Current Year Off-sets	(104,937)	
Qualifying Expenditures	(85,507)	
Set-aside Amounts as of June 30, 2013	(\$65,945)	\$17,563

The District had qualifying disbursements and current year offsets during the year that reduced the set-aside amount to below zero. The negative amount may not be used to reduce future capital set-aside requirements.

14. Contractual Commitments

At June 30, 2013 the District had contractual commitments outstanding related to the OSFC/CFAP building project of \$1,159 to Lawhon and Associates, \$24,290 to Woolace Electric Corp., \$71,128 to Jamison Well Drilling, Inc., and \$1,951 to Continental Office Environment. In addition, the district had contractual commitments outstanding related to the 1963 gymnasium renovations of \$9,700 to American Athletic, \$7,869 to All Service Glass Company, \$144,233 to Schimmoeller Construction, and \$17,290 to Custom Concrete.

15. 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, 2013 will not have a material adverse effect on the District.

B. Litigation

The District is not a party to any legal proceedings.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

16. 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 2013, the District paid \$16,574 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.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$26,650	\$26,650
National School Lunch Program:			
Cash Assistance	10.555	145,295	145,295
Non-cash Assistance (Commodities)	10.555	40,922	40,922
Total National School Lunch Program		<u>186,217</u>	<u>186,217</u>
Total United States Department of Agriculture		<u>212,867</u>	<u>212,867</u>
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	265,613	163,892
Education Technology State Grants	84.318	987	
Improving Teacher Quality State Grants	84.367	55,924	29,667
Special Education Cluster:			
Special Education - Grants to States	84.027		146,034
Special Education - Preschool Grants	84.173		2,825
Total Special Education Cluster			<u>148,859</u>
Rural Education	84.358	30,896	32,364
Education Jobs Fund	84.410	72,053	8,610
Migrant Education - State Grant Programs	84.011	87,950	47,494
ARRA - Race to The Top	84.395	61,115	29,833
Total United States Department of Education		<u>574,538</u>	<u>460,719</u>
Total Federal Awards Receipts and Expenditures		<u>\$787,405</u>	<u>\$673,586</u>

The accompanying notes are an integral part of this schedule.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – SUBRECIPIENTS

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

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amounts passed through to its subrecipient were \$148,859.

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2014, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-003 described in the accompanying schedule of findings to be material weaknesses.

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 2013-001.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 14, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Leipsic Local School District's, Putnam County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Leipsic Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 14, 2014

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: School Breakfast Program CFDA #10.553 and National School Lunch Program CFDA #10.555 Title I Grants to Local Educational Agencies CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Revised Code, § 117.38, provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in a cash format which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the District prepare its statements in accordance with accounting principles generally accepted in the United States of America.

FINDING NUMBER 2013-002

Financial Reporting - Material Weakness

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The financial statement contained the following errors:

- On the Statement of Net Position, \$399,105 of operating grants in the Governmental Activities was misclassified as general receipts instead of program revenue.
- Intergovernmental revenues/operating grants and special instruction disbursements of \$148,859 for federal grants spent on behalf of the District by the Putnam County Educational Service Center were not reported in the Other Governmental Funds and Governmental Activities.
- In the Other Governmental Funds and Governmental Activities, Payment to Bond Escrow of \$3,520,654, Bond Issuance Costs of \$58,455, Bond Proceeds of \$3,370,000, and Bond Premiums of \$209,109 were not reported to reflect the activity from the advance refunding of the District's bonds.
- The beginning fund balance of the General Fund Budgetary Statement was understated by \$246,482.

**FINDING NUMBER 2013-002
(Continued)**

The accompanying financial statements have been adjusted to correct these and other errors, ranging from \$40 to \$3,370,000.

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements by the Treasurer and the Board, to identify and correct errors and omissions.

FINDING NUMBER 2013-003

Reporting and Budgeting Ohio Department of Education Grants - Material Weakness

Sound accounting practices require money spent on behalf of the District by other governments be posted to the District's ledgers. Furthermore, Ohio Revised Code § 5705.42 deems the funds appropriated, eliminating the need for the District to approve a formal appropriation for these monies, however, this section does require the District to record the appropriation.

The District was the beneficiary of \$148,859 in 2013, of Special Education Cluster money paid directly to the Putnam County Educational Service Center (ESC) by the Ohio Department of Education (ODE). This activity and the corresponding appropriations were not recorded on the ledgers of the District. Since ODE forwards the grant to the ESC, the District did not receive this cash. However, Auditor of State Bulletin 2000-08 prescribes recording these transactions as receipts and disbursements when the District applies for a grant and has administrative responsibilities. The accompanying financial statements were adjusted to reflect the amounts in Other Governmental Funds.

We recommend the District record all benefits received from State or Federal grants as a memo receipt and expenditure on the District's records, request an amended certificate of estimated resources for these funds and the Board approve a corresponding appropriation for the expenditure. In addition, District management should review Auditor of State Bulletin 2000-08.

Officials' Response:

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

3. FINDINGS FOR FEDERAL AWARDS

None

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Administrative Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as finding 2013-001.
2012-002	Material weakness to improve monitoring of financial statements.	No	Finding has not been corrected and is repeated in this report as finding 2013-002.
2012-003	Material weakness for not reporting and budgeting Ohio Department of Education grants.	No	Finding has not been corrected and is repeated in this report as finding 2013-003.
2012-004	OMB Circular A-133 § .320 for not completing single audit nine months after the end of the audit period.	Yes	

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on May 15, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 14, 2014

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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
APRIL 1, 2014**