

LEIPSIC LOCAL SCHOOL DISTRICT

PUTNAM COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2010

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



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Leipsic Local School District, Putnam County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 3, 2011

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LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO
Audit Report
For the year ended June 30, 2010

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leipsic Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2010. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leipsic Local School District, Putnam County, Ohio, as of June 30, 2010, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leipsic Local School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
December 3, 2010

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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, 2010, 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 2010 are as follows:

Net assets of governmental activities increased \$3,601,802, or 44.01 percent, from the prior year.

Net assets of business type activities increased \$5,430, or 7.59 percent, from the prior year.

The District's general governmental receipts were \$6,003,826 or 46.04 percent of all revenue, these being primarily property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services and operating grants and contributions and capital grants and contributions accounted for \$7,037,609 or 53.96 percent of total revenues of \$13,041,435.

The District's business type general receipts were \$515 or 0.15 percent of all revenue, these being primarily interest and misc. revenue. Program specific revenues in the form of charges for services and operating grants accounted for \$338,406 or 99.85 percent of total revenues of \$338,921.

The District had \$9,439,633 in expenses related to governmental activities: only \$7,037,609 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,003,826 were adequate to provide for these programs.

The District had \$333,491 in expenses related to business type activities, these expenses were offset by program specific charges for services and operating grants of \$338,406. The District also had \$515 in general revenues and a cash balance of \$71,533 which were adequate to provide for these programs.

The District's major governmental funds were the General Fund, Permanent Improvement Fund, and Ohio School Facility Commission (OSFC) Classroom Facility Assistance Program (CFAP) Fund. The major funds had \$6,278,655, \$184,473, and \$5,869,362, respectively, in revenues and other financing sources, and \$6,427,088, \$1,745,320, and \$839,859, respectively, in expenditures and other uses. During fiscal year 2010, the major funds' balances, increased or (decreased) by (\$148,433), (\$1,560,847), and \$5,029,503, respectively.

The District's business type food service fund had \$338,921 in revenue and \$333,491 in expenses. During fiscal year 2010 the food service fund balance increased \$5,430 from \$71,533 to \$76,963.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Using this Annual Report

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2010, within the limitations of the other comprehensive basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

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

Reporting the District's Most Significant Funds

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

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

Governmental Funds - Most of the District activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds are the General Fund, Permanent Improvement Fund, and School Facilities Assistance Program Fund. 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 assets for fiscal year 2010 compared to fiscal year 2009 on another comprehensive basis of accounting.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Table 1
Net Assets

	Governmental Activities 2010	Governmental Activities 2009	Business Type Activities 2010	Business Type Activities 2009	Total Activities 2010	Total Activities 2009
Assets:						
Cash and Cash Equivalents	\$11,785,645	\$8,183,843	\$76,963	\$71,533	\$11,862,608	\$8,255,376
Net Assets:						
Restricted	10,322,039	6,570,977	-	-	10,322,039	6,570,977
Unrestricted	1,463,606	1,612,866	76,963	71,533	1,540,569	1,684,399
Total Net Assets	\$11,785,645	\$8,183,843	\$76,963	\$71,533	\$11,862,608	\$8,255,376

Over time, net assets can serve as a useful indicator of a government's financial position. At year-end, net assets were \$11,785,645 for governmental activities and \$76,963 for business type activities.

A portion of the District's net assets, \$10,322,039, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,463,606 may be used to meet the District's ongoing obligations to the students and creditors. The entire business type net assets total is unrestricted.

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

Table 2

	Governmental Activities 2010	Business Type Activities 2010	Governmental Activities 2009	Business Type Activities 2009
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$622,657	\$160,027	\$162,227	\$179,432
Operating Grants and Contributions	574,460	178,379	1,443,335	171,433
Capital Grants and Contributions	5,840,492	-	-	-
Total Program Receipts	7,037,609	338,406	1,605,562	350,865
General Receipts:				
Property Taxes Levied for General Purposes	1,442,038	-	1,488,260	-
Property Taxes Levied for Debt Service	190,640	-	194,716	-
School District Income Taxes for General Purposes	285,674	-	329,108	-
School District Income Taxes for Capital Projects	142,837	-	164,554	-
Payment in Lieu of Taxes	18,960	-	51,908	-
Grants and Entitlements Not Restricted to Specific Programs	3,746,105	-	3,794,452	-
Proceeds from Sale of Capital Assets	35	-	-	-
Donations	83,800	-	84,300	-
Interest	63,138	128	72,235	747

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Proceeds Of Loans	-	-	2,039,000	
Miscellaneous	30,599	387	8,860	
Total General Receipts	<u>\$6,003,826</u>	<u>\$515</u>	<u>\$8,227,393</u>	<u>\$747</u>
Total Receipts	<u>\$13,041,435</u>	<u>\$338,921</u>	<u>\$9,832,955</u>	<u>\$351,612</u>
Disbursements:				
Instruction:				
Regular	3,121,373	-	\$2,647,490	-
Special	853,250	-	850,559	-
Vocational	276,752	-	296,008	-
Support Services:				
Pupil	71,835	-	73,421	-
Instructional Staff	273,678	-	257,889	-
Board of Education	24,693	-	28,376	-
Administration	520,130	-	514,595	-
Fiscal	247,843	-	227,861	-
Operation and Maintenance of Plant	485,778	-	511,450	-
Pupil Transportation	328,223	-	337,308	-
Operation of non-instructional services	107,320	-	110,030	-
Food Services	-	333,491	-	340,344
Extracurricular Activities	308,451	-	309,708	-
Capital Outlay	1,397,188	-	379,815	-
Debt Service				
Principal	1,206,808	-	196,808	-
Interest and Fiscal Charges	216,311	-	257,678	-
Total Disbursements	<u>9,439,633</u>	<u>333,491</u>	<u>6,998,996</u>	<u>340,344</u>
Increase (Decrease) in Net Assets	3,601,802	5,430	2,833,959	11,268
Net Assets, July 1	<u>8,183,843</u>	<u>71,533</u>	<u>5,349,884</u>	<u>60,265</u>
Net Assets, June 30	<u>\$11,785,645</u>	<u>\$76,963</u>	<u>\$8,183,843</u>	<u>\$71,533</u>

Net assets of the District's governmental activities increased \$3,601,802. Total governmental expenses of \$9,439,633 were offset by program revenues of \$7,037,609 and general revenues of \$6,003,826. Program revenues supported 76.81 percent of the total governmental expenses.

The primary sources of revenue for the governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 44.53 percent of total governmental revenue. Real estate property is reappraised every six years.

Net assets of the District's business type activities increased \$5,430. Total business type expenses of \$333,491 were offset by program revenues of \$338,406 and general revenues of \$515.

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.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Table 3

	Governmental Activities		Business Type Activities		Governmental Activities		Business Type Activities	
	Total Cost of	Net Cost of	Total Cost of	Net Cost of	Total Cost of	Net Cost of	Total Cost of	Net Cost of
	Services	Services	Services	Services	Services	Services	Services	Services
	2010	2010	2010	2010	2009	2009	2009	2009
Current:								
Instruction:								
Regular	\$3,121,373	\$2,623,889	-	-	\$2,647,490	\$2,576,604	-	-
Special	853,250	776,953	-	-	850,559	729,722	-	-
Vocational	276,752	195,215	-	-	296,008	214,223	-	-
Support Services:								
Pupil	71,835	67,262	-	-	73,422	62,421	-	-
Instructional Staff	273,678	236,126	-	-	257,889	175,662	-	-
Board of Education	24,693	24,693	-	-	28,376	28,376	-	-
Administration	520,130	520,130	-	-	514,595	514,595	-	-
Fiscal	247,843	247,843	-	-	227,861	227,861	-	-
Operation & Maintenance of Plant	485,778	348,785	-	-	511,450	501,450	-	-
Pupil Transportation	328,223	210,817	-	-	337,308	325,736	-	-
Operation of non-instructional serv.	107,320	16,809	-	-	110,030	1,979	-	-
Operation of Food Services	-	-	\$333,491	(4,915)	-	-	\$340,344	(10,521)
Extracurricular Activities	308,451	153,687	-	-	309,708	156,936	-	-
Capital Outlay	1,397,188	(4,443,304)	-	-	379,815	(576,617)	-	-
Debt Service								
Principal	1,206,808	1,206,808	-	-	196,808	196,808	-	-
Interest and Fiscal Charges	216,311	216,311	-	-	257,678	257,678	-	-
Total Disbursements	\$9,439,633	\$2,402,024	\$333,491	(\$4,915)	\$6,998,996	\$5,393,434	\$340,344	(10,521)

The dependence upon tax receipts and unrestricted state entitlements is apparent, 84.59 percent of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 46.04 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 other comprehensive basis of accounting. Total combined fund balance of \$11,862,608 is more than last year's total of \$8,255,376. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Table 4

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase (Decrease)
General	\$1,932,593	\$2,081,026	(\$148,433)
Permanent Improvement	467,108	2,027,955	(1,560,847)
OSFC CFAP	8,473,768	3,444,265	5,029,503
Other Governmental	912,176	630,597	281,579
Enterprise	76,963	71,533	5,430
Total Fund Balance	<u>\$11,862,608</u>	<u>\$8,255,376</u>	<u>\$3,607,232</u>

General Fund

The District's general fund's balance decreased by \$148,433.

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

Table 5

	2010 Amount	2009 Amount
Revenues		
Taxes	\$1,727,712	\$1,817,368
Intergovernmental	3,673,341	3,720,478
Earnings on Investments	12,273	71,370
Tuition and Fees	467,893	36,185
Miscellaneous	21,297	34,253
Total Revenue	<u>\$5,902,516</u>	<u>\$5,679,654</u>
Expenditures		
Instruction	\$4,011,234	\$3,556,311
Support Services	1,528,198	1,736,546
Extracurricular activities	154,158	165,135
Total Expenditures	<u>\$5,693,590</u>	<u>\$5,457,992</u>
Other Sources (Uses)		
Sale of Fixed Assets	\$35	\$0
Advances In/(Out) – Net	(355,882)	(938)
Transfers In/(Out) – Net	(1,512)	(218,004)
Total Other Sources (Uses)	<u>(\$357,359)</u>	<u>(\$218,942)</u>

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.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

During fiscal year 2010, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts, in the amount of \$5,931,239, were the amount of the original budgeted revenue estimate of \$5,931,239. Actual revenues and other financing sources for fiscal year 2010 was \$6,278,655. This represents a \$347,416 increase from final budgeted revenues.

General Fund final budgeted appropriations (appropriated expenditures plus other financing uses) of \$6,163,924 were \$70,815 more than the original budget amount of \$6,093,109. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$6,448,923, which was \$284,999 more than the final budget appropriations.

Debt

At June 30, 2010, the District had \$149,616 outstanding on an interest free United States EPA Asbestos Abatement Loan. Of this total, \$66,808 is due within one year and \$82,808 is due within more than one year. In addition, the District had \$3,970,000 in facility construction bonds outstanding. Of this total, \$140,000 is due within one year and \$3,830,000 is due within more than one year. At June 30, 2010 the District had outstanding \$1,039,000 in debt financing through two lease/purchase agreements, a fixed rate agreement for \$816,000 and a variable rate agreement for \$223,000; \$1,000,000 of the variable rate agreement was paid-off in fiscal year 2010. These lease/purchase agreements are 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 these lease/purchase agreements were used to renovate the 1963 section of the current school building. The following table summarizes the debt outstanding.

	<u>Balance</u> <u>June 30, 2010</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Increase/</u> <u>(Decrease)</u>
EPA Asbestos Loan	\$149,616	\$216,424	(\$66,808)
Facility Construction Bonds	\$3,970,000	\$4,110,000	(140,000)
OASBO Lease/Purchase – Fixed	816,000	816,000	-
OASBO Lease/Purchase - Variable	223,000	1,223,000	(1,000,000)

Other Contractual Obligations

The District's accrued liabilities are not reported in the other comprehensive basis of accounting statements. However, as of June 30, 2010, the District's governmental funds had employment contract obligations remaining of \$429,466 for accrued wages and Medicare. The District had \$1,463,606 in unrestricted net assets to cover this obligation in the governmental funds.

As of June 30, 2010 the District's business-type activities had employment contract obligations remaining of \$15,428 in accrued wages and Medicare. The District had \$76,963 in unrestricted net assets to cover this obligation in the business-type activities.

At June 30, 2010 the District had contractual commitments outstanding related to the 1963 building renovations of \$17,544 to J.B. & Company, Inc., \$106,106 to Schroeder Masonry, Inc., and \$20,680 to County Enterprises, Inc. In addition, the District had contractual commitments outstanding related to the OSFC CFAP building project of \$231,829 to Beilharz Architects, Inc., \$33,171 to STAN, Inc., \$30,804 to New Fax, \$71,865 to Soil Testing, Inc., \$8,647 to Beilharz Consulting, Inc., \$7,726 to Lawhon and Associates, \$7,622,000 to Mel Lanzer Company, \$100,100 to Vulcan Enterprises, Inc., \$414,000 to Ohio Plumbing & Electric. \$1,004,900 to Slagle Mechanical, \$1,840,000 to Woolace Electric Corp., and \$385,624 to Jamison Well Drilling, Inc.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Current Issues

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

Contacting the District's Financial Management

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Net Assets - Cash Basis
For the Fiscal Year Ended June 30, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$11,785,645	\$76,963	\$11,862,608
Net Assets			
Restricted for:			
Capital Projects	\$9,158,070	-	\$9,158,070
Debt Service	225,794	-	225,794
Set Asides	468,987	-	468,987
Other Purposes	469,188	-	469,188
Unrestricted	1,463,606	\$76,963	1,540,569
<i>Total Net Assets</i>	<u>\$11,785,645</u>	<u>\$76,963</u>	<u>\$11,862,608</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, 2010

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	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	\$3,121,373	\$467,893	\$29,591	-	(\$2,623,889)	-	(\$2,623,889)
Special	853,250	-	76,297	-	(776,953)	-	(776,953)
Vocational	276,752	-	81,537	-	(195,215)	-	(195,215)
Support Services:							
Pupil	71,835	-	4,573	-	(67,262)	-	(67,262)
Instructional Staff	273,678	-	37,552	-	(236,126)	-	(236,126)
Board of Education	24,693	-	-	-	(24,693)	-	(24,693)
Administration	520,130	-	-	-	(520,130)	-	(520,130)
Fiscal	247,843	-	-	-	(247,843)	-	(247,843)
Operation and Maintenance of Plant	485,778	-	136,993	-	(348,785)	-	(348,785)
Pupil Transportation	328,223	-	117,406	-	(210,817)	-	(210,817)
Operation of Non-Instructional Services	107,320	-	90,511	-	(16,809)	-	(16,809)
Extracurricular Activities	308,451	154,764	-	-	(153,687)	-	(153,687)
Capital Outlay	1,397,188	-	-	\$5,840,492	4,443,304	-	4,443,304
Debt Repayment:							
Principal	1,206,808	-	-	-	(1,206,808)	-	(1,206,808)
Interest and Fiscal Charges	216,311	-	-	-	(216,311)	-	(216,311)
<i>Total Governmental Activities</i>	<u>9,439,633</u>	<u>622,657</u>	<u>574,460</u>	<u>5,840,492</u>	<u>(2,402,024)</u>	<u>-</u>	<u>(2,402,024)</u>
Business-Type Activity							
Food Service	333,491	160,027	178,379	-	-	\$4,915	4,915
Total	<u>\$9,773,124</u>	<u>\$782,684</u>	<u>\$752,839</u>	<u>\$5,840,492</u>	<u>(2,402,024)</u>	<u>\$4,915</u>	<u>(\$2,397,109)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes	-	-	-	1,442,038	-	-	1,442,038
Debt Service	-	-	-	190,640	-	-	190,640
Income Taxes Levied for:							
General Purposes	-	-	-	285,674	-	-	285,674
Capital Projects	-	-	-	142,837	-	-	142,837
Grants and Entitlements not Restricted to Specific Programs	-	-	-	3,746,105	-	-	3,746,105
Payments in Lieu of Taxes	-	-	-	18,960	-	-	18,960
Proceeds from Sale of Capital Assets	-	-	-	35	-	-	35
Interest	-	-	-	63,138	128	-	63,266
Donations	-	-	-	83,800	-	-	83,800
Miscellaneous	-	-	-	30,599	387	-	30,986
<i>Total General Receipts</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,003,826</u>	<u>515</u>	<u>-</u>	<u>6,004,341</u>
Change in Net Assets	-	-	-	3,601,802	5,430	-	3,607,232
<i>Net Assets Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,183,843</u>	<u>71,533</u>	<u>-</u>	<u>8,255,376</u>
<i>Net Assets End of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$11,785,645</u>	<u>\$76,963</u>	<u>-</u>	<u>\$11,862,608</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
For the Fiscal Year Ended June 30, 2010

	<u>General</u>	<u>Permanent Improvement</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	\$1,915,030	\$467,108	\$8,473,768	\$912,176	\$11,768,082
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	17,563	-	-	-	17,563
<i>Total Assets</i>	<u>\$1,932,593</u>	<u>\$467,108</u>	<u>\$8,473,768</u>	<u>\$912,176</u>	<u>\$11,785,645</u>
Fund Balances					
Reserved for:					
Encumbrances	\$21,835	\$144,330	\$11,604,666	\$165,542	\$11,936,373
Unclaimed Monies	4,371	-	-	-	4,371
Budget Stabilization	17,563	-	-	-	17,563
Unreserved:					
Designated:					
Textbooks and Supplies	77,173	-	-	-	77,173
Capital Maintenance	91,814	-	-	-	91,814
Budget Stabilization	282,437	-	-	-	282,437
Undesignated, Reported in					
General Fund	1,437,400	-	-	-	1,437,400
Special Revenue Funds	-	-	-	449,646	449,646
Debt Service Fund	-	-	-	225,794	225,794
Capital Projects Funds	-	322,778	(3,130,898)	71,194	(2,736,926)
<i>Total Fund Balances</i>	<u>\$1,932,593</u>	<u>\$467,108</u>	<u>\$8,473,768</u>	<u>\$912,176</u>	<u>\$11,785,645</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Cash Receipts, Disbursements and Changes in
Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Permanent Improvement	OSFC CFAP Facility Construction	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$1,442,038	-	-	\$190,640	\$1,632,678
Income Taxes	285,674	\$142,837	-	-	428,511
Payment in Lieu of Taxes	-	18,960	-	-	18,960
Intergovernmental	3,673,341	-	\$5,820,544	667,172	10,161,057
Interest	12,273	932	48,818	1,115	63,138
Tuition and Fees	467,893	-	-	-	467,893
Extracurricular Activities	-	-	-	154,764	154,764
Donations	-	-	-	83,800	83,800
Miscellaneous	21,297	-	-	9,302	30,599
<i>Total Receipts</i>	<u>5,902,516</u>	<u>162,729</u>	<u>5,869,362</u>	<u>1,106,793</u>	<u>13,041,400</u>
Disbursements					
Current:					
Instruction:					
Regular	3,042,306	-	-	79,067	3,121,373
Special	693,425	-	-	159,825	853,250
Vocational	275,503	-	-	1,249	276,752
Support Services:					
Pupil	62,244	-	-	9,591	71,835
Instructional Staff	121,429	-	-	152,249	273,678
Board of Education	24,693	-	-	-	24,693
Administration	520,130	-	-	-	520,130
Fiscal	240,100	2,361	-	5,382	247,843
Operation and Maintenance of Plant	348,785	-	-	136,993	485,778
Pupil Transportation	210,817	-	-	117,406	328,223
Operation of Non-Instructional Services	-	-	-	107,320	107,320
Extracurricular Activities	154,158	-	-	154,293	308,451
Capital Outlay	-	557,329	839,859	-	1,397,188
Debt Service:					
Principal Retirement	-	1,066,808	-	140,000	1,206,808
Interest and Fiscal Charges	-	40,782	-	175,529	216,311
<i>Total Disbursements</i>	<u>5,693,590</u>	<u>1,667,280</u>	<u>839,859</u>	<u>1,238,904</u>	<u>9,439,633</u>
<i>Excess of Revenues Over (Under) Expenditure</i>	<u>208,926</u>	<u>(1,504,551)</u>	<u>5,029,503</u>	<u>(132,111)</u>	<u>3,601,767</u>
Other Financing Sources (Uses)					
Sale of Fixed Assets	35	-	-	-	35
Advance In	186,401	-	-	542,283	728,684
Advance Out	(542,283)	-	-	(186,401)	(728,684)
Transfers In	189,703	21,744	-	57,808	269,255
Transfers Out	(191,215)	(78,040)	-	-	(269,255)
<i>Total Other Financing Sources (Uses)</i>	<u>(357,359)</u>	<u>(56,296)</u>	<u>-</u>	<u>413,690</u>	<u>35</u>
<i>Net Change in Fund Balances</i>	(148,433)	(1,560,847)	5,029,503	281,579	3,601,802
<i>Fund Balances Beginning of Year</i>	<u>2,081,026</u>	<u>2,027,955</u>	<u>3,444,265</u>	<u>630,597</u>	<u>8,183,843</u>
<i>Fund Balances End of Year</i>	<u>\$1,932,593</u>	<u>\$467,108</u>	<u>\$8,473,768</u>	<u>\$912,176</u>	<u>\$11,785,645</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property Taxes	\$1,405,815	\$1,405,815	\$1,442,038	\$36,223
Income Taxes	258,350	258,350	285,674	27,324
Intergovernmental	3,618,572	3,618,572	3,673,341	54,769
Interest	15,000	15,000	12,273	(2,727)
Tuition and Fees	29,250	29,250	467,893	438,643
Miscellaneous	21,225	21,225	21,297	72
<i>Total receipts</i>	<u>5,348,212</u>	<u>5,348,212</u>	<u>5,902,516</u>	<u>554,304</u>
Disbursements				
Current:				
Instruction:				
Regular	2,882,833	2,801,724	3,052,592	(250,868)
Special	555,607	617,334	693,775	(76,441)
Vocational	229,951	227,861	275,503	(47,642)
Support Services:				
Pupil	50,873	50,763	62,244	(11,481)
Instructional Staff	88,450	88,450	122,059	(33,609)
Board of Education	25,525	25,525	24,758	767
Administration	449,575	449,575	520,272	(70,697)
Fiscal	196,374	180,374	240,100	(59,726)
Operation and Maintenance of Plant	579,210	580,607	349,947	230,660
Pupil Transportation	145,542	100,542	220,017	(119,475)
Extracurricular Activities	111,378	111,378	154,158	(42,780)
<i>Total Disbursements</i>	<u>5,315,318</u>	<u>5,234,133</u>	<u>5,715,425</u>	<u>(481,292)</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>32,894</u>	<u>114,079</u>	<u>187,091</u>	<u>73,012</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	-	-	35	35
Advances In	335,665	335,665	186,401	(149,264)
Advances Out	(332,400)	(484,400)	(542,283)	(57,883)
Transfers In	247,362	247,362	189,703	(57,659)
Transfers Out	(445,391)	(445,391)	(191,215)	254,176
<i>Total Other Financing Sources (Uses)</i>	<u>(194,764)</u>	<u>(346,764)</u>	<u>(357,359)</u>	<u>(10,595)</u>
<i>Net Change in Fund Balance</i>	(161,870)	(232,685)	(170,268)	62,417
<i>Fund Balance Beginning of Year</i>	2,064,842	2,064,842	2,064,842	-
Prior Year Encumbrances Appropriated	16,184	16,184	16,184	-
<i>Fund Balance End of Year</i>	<u>\$1,919,156</u>	<u>\$1,848,341</u>	<u>\$1,910,758</u>	<u>\$62,417</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fund Net Assets - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	<u>Food Service Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$76,963</u>
Net Assets	
Unrestricted	<u>76,963</u>
<i>Total Net Assets</i>	<u>\$76,963</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Cash Receipts, Disbursements and Changes in
Fund Net Assets - Cash Basis - Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Food Service Fund
Operating Receipts	
Charges for Services	\$160,027
Operating Disbursements	
Personal Services	181,941
Materials and Supplies	151,550
<i>Total Operating Disbursements</i>	333,491
<i>Operating Loss</i>	(173,464)
Non-Operating Receipts/(Disbursements):	
Interest	128
Intergovernmental Revenue	178,379
Other Non-Operating Revenue	387
<i>Total Non-Operating Receipts/(Disbursements)</i>	178,894
<i>Changes in Net Assets</i>	5,430
Net Assets - Beginning of Year	71,533
<i>Net Assets - End of Year</i>	\$76,963

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Fiscal year Ended June 30, 2010

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$162,753	\$25,302
Net Assets		
Held for Student Activities	-	25,302
Held in Trust for Scholarships	162,753	-
Total Net Assets	\$162,753	\$25,302

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

	<u>Private Purpose Trust</u>
Additions	
Interest	\$5,858
Deductions	
Scholarship Payments	<u>6,000</u>
<i>Change in Net Assets</i>	(142)
<i>Net Assets Beginning of Year</i>	<u>162,895</u>
<i>Net Assets End of Year</i>	<u><u>\$162,753</u></u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Note 1 - Description of the School District and Reporting Entity

The Leipsic Local School District (The District) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and/or federal guidelines.

The District was established prior to 1912. The District serves an area approximately 54 square miles. It is located in Putnam County and includes the Villages of Bellmore, Leipsic, and West Leipsic also portions of Blanchard, Ottawa, Liberty, Palmer and Van Buren Townships. The District is the 552nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. The District is staffed by 26 classified employees, 50 certified teaching personnel, and 4 administrative employees who provide services to 635 students and other community members. The District currently operates one elementary, middle and high school.

Reporting Entity

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

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

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

The District's reporting entity includes the following:

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

The District participates in 2 jointly governed organizations and 3 public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 8 and 15 to the financial statements provide additional information for these entities. These organizations are:

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 1 - Description of the School District and Reporting Entity (continued)

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Millstream Career Cooperative

Public Entity Risk Pool:

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance of the governmental and business-type activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements

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

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

B. Fund Accounting

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

Governmental Funds

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

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

Permanent Improvement Fund This capital project fund accounts for financial resources used for the acquisition or construction of District facilities (not accounted for separately in another capital project fund).

Ohio School Facility Commission Classroom Facility Assistance Program 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.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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 fund accounts for various student-managed activities.

C. Basis of Accounting

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

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

D. Cash, Cash Equivalents and Investments

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

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

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

During 2010, 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, 2010.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited during fiscal year 2010 was as follows: General Fund \$12,273, Permanent Improvement Fund \$932, OSFC CFAP Facility Construction Fund \$48,818, Special Revenue Funds \$1,115, Trust Funds \$5,858 and Food Service Fund \$128.

E. Restricted Assets

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for budget stabilization. On June 30, 2010, the District had established a budget stabilization account amounting to \$300,000; however, only \$17,563 of this amount was required by state statute.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Compensated Absences

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

I. Long-term Obligations

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

J. Fund Balance Reserves

The District reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement. The District has fund balance reserves for encumbrances, unclaimed monies and budget stabilization. The budget stabilization reserve of \$17,563 represents the amount required by State statute to be set aside at year end. Also reserved at year end was \$11,936,373 for encumbrances and \$4,371 for unclaimed monies. The District also has designated additional fund balances of \$282,437, \$77,173 and \$91,814 for budget stabilization, instructional textbooks and supplies, and capital maintenance, respectively.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

K. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

L. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when made or repaid. Note 7 lists unpaid advances receivable and payable.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the Board of Education's control that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during fiscal 2010.

N. Budgetary Process

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 3 – Budgetary Basis of Accounting and Compliance

Budgetary

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

The encumbrances outstanding at year end (budgetary basis) amounted to \$21,835 in the general fund.

Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

Contrary to Ohio Revised Code Section 5705.41 (B), the District had expenditures plus encumbrances exceeding appropriations.

Contrary to Ohio Revised Code Section 5705.41 (D), the District failed to properly certify funds.

Note 4 – Deposits and Investments

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

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 4 – Deposits and Investments (continued)

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

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

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

Cash on Hand – At June 30, 2010 the District had \$150 cash on hand.

Deposits with Financial Institutions

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

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$10,905,852 of the District's bank balance of \$12,166,848 was exposed to custodial risk as discussed below, while \$1,260,995 was covered by Federal Deposit Insurance Corporation.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 4 – Deposits and Investments (continued)

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

Investments

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
STAR Ohio	\$ 240,739	\$ 240,739	\$ -
Total	\$ 240,739	\$ 240,739	\$ -

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

Credit Risk: STAR Ohio carries a rating of AAA by Standard and Poor's.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 240,739	\$ 100
	\$ 240,739	\$ 100

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 5 – Property Taxes

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Putnam County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2007; an update was done in 2010. The next revaluation is scheduled for 2013.

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 usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2010 represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied April 1, 2009 on the values listed as of December 31, 2009. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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, 2010 was \$36.95 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2010 taxes were collected were as follows:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$47,090,990	76.96%	\$47,670,090	73.26%
Industrial/Commercial	8,712,190	14.24%	12,485,790	19.19%
Public Utility	5,169,330	8.45%	4,781,970	7.35%
Tangible Personal Property	219,510	0.35%	127,980	0.20%
Total Assessed Value	<u>\$61,192,020</u>	<u>100.00%</u>	<u>\$65,065,830</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.20		\$36.95	

The amount available as an advance at June 30, 2010 was \$142,110 in the general fund, \$18,966 in the bond retirement fund.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 6 – School District Income Tax

The District levies a voted tax of .50 percent for general operations and .25 percent for permanent improvements on the income of residents and of estates. The .50 percent tax was effective January 1, 1992, with the .25 percent effective January 1, 1997, both are a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the district after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and permanent improvement fund and totaled \$285,674 and \$142,837, respectively, for fiscal year 2010.

Note 7 – Interfund Balances

At June 30, 2010 the District had the following inter-fund advances outstanding from the general fund:

<u>Fund</u>	<u>Outstanding Advance</u>
Facility Construction	\$ 146,000
High School of Business	3,500
Migrant	31,508
ARRA – IDEA	17,692
Title II-D	1,112
Title I	126,577
Title IV	2,102
Title II-A	<u>30,656</u>
Total	<u>\$ 359,147</u>

Note 8 – Risk Management

A. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 76 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the Leipsic Local District's policy. SORSA covers the following risks:

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 8 – Risk Management (continued)

SORSA financial statements are available by contacting SORSA at:

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

B. Employee Medical Benefits

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

C. Workers' Compensation

For fiscal year 2010 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

Note 9 – Defined Benefit Pension Plans

A. School Employees Retirement System

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 9 – Defined Benefit Pension Plans (continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For Fiscal year ending 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2010, 2009, and 2008 were \$98,352, \$98,085, and \$97,087 respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

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

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 will 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 number 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 the maximum annual retirement allowance.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 9 – Defined Benefit Pension Plans (continued)

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.

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 includes 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.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 9 – Defined Benefit Pension Plans (continued)

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010 were 10% of the covered payroll for members and 14% for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$384,432, \$376,248, and \$384,343, respectfully. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2010 Comprehensive Annual Financial Report will be available after December 31, 2010. Additional information or copies of STRS Ohio's 2010 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.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, 2010, four Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 10 - Postemployment Benefits

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2009, the latest information available, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$2.7 billion on June 30, 2009.

For the fiscal year ended June 30, 2009, net health care costs paid by STRS Ohio were \$298,110,000. There were 129,659 eligible benefit recipients.

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, 2009, 2008, and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. The District's required contributions for post-employment health care to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$27,459, \$26,516, and \$25,482, respectfully.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 10 - Postemployment Benefits (continued)

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

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants but could be as high as \$353.60 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 2010, the actuarially required allocation is 0.76%. The District contributions for the years ended June 30, 2010, 2009, and 2008 were \$5,339, \$5,255, and \$4,577, respectively, which equaled the required contributions each year.

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation was 0.46%.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The district's contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$13,692, \$13,733, and \$13,628, 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.

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 11 – Debt

The changes in the District's debt obligations during fiscal year 2010 consist of the following:

	Principal Outstanding 06/30/2009	Additions	Reductions	Principal Outstanding 06/30/2010	Amount Due in One Year
Governmental Activities					
EPA Asbestos Removal Note (0%)	\$216,424	-	\$66,808	\$149,616	\$66,808
OASBO Lease/Purchase Agreement (4.40%)	816,000	-	-	816,000	-
OASBO Lease/Purchase Variable Rate(BMA + 57) Facility Construction Bonds (4.41%)	1,223,000	-	1,000,000	223,000	-
	<u>4,110,000</u>	<u>-</u>	<u>140,000</u>	<u>3,970,000</u>	<u>140,000</u>
Total	<u>\$6,365,424</u>	<u>-</u>	<u>\$1,206,808</u>	<u>\$5,158,616</u>	<u>\$206,808</u>

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

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

During fiscal year 2009 the District acquired \$2,039,000 in debt financing through two lease/purchase agreements, a fixed rate agreement for \$816,000 and a variable rate agreement for \$1,223,000. These lease/purchase agreements are 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 these lease/purchase agreements 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, 2010 are as follows:

Fiscal Year	Asbestos Loan		Facility Construction Bonds	
	Principal Due	Interest Due	Principal Due	Interest Due
2011	\$66,808	-	\$140,000	\$172,168
2012	66,808	-	145,000	168,388
2013	16,000	-	155,000	164,033
2014	-	-	160,000	159,108
2015	-	-	165,000	153,745
2016-2020	-	-	965,000	666,543
2021-2025	-	-	1,300,000	418,616
2026-2028	-	-	940,000	69,500
Total	<u>\$149,616</u>	<u>-</u>	<u>\$3,970,000</u>	<u>\$1,972,101</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 11- Debt

Fiscal Year	OASBO Lease/Pur - Var		OASBO Lease/Pur - Fix		Total Debt Obligation
	Principal Due	Interest Due	Principal Due	Interest Due	
2011	-	\$1,985	-	\$35,904	\$416,865
2012	-	1,985	-	35,904	418,085
2013	\$58,000	1,985	\$36,000	35,112	466,130
2014	60,000	1,469	38,000	33,484	452,061
2015	62,000	935	39,000	31,790	452,470
2016-2020	43,000	383	225,000	130,790	2,030,716
2021-2025	-	-	279,000	75,570	2,073,186
2026-2028	-	-	199,000	13,354	1,221,852
Total	\$223,000	\$8,740	\$816,000	\$391,908	\$7,531,365

Note 12 – Set-Aside Calculations

State statute annually requires the District to set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2010, only the unspent portion of prior year bureau of workers compensation refunds is shown as a reserve at year end.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital maintenance and budget stabilization. State statute requires disclosing this information.

	Instructional Materials Reserve	Capital Maintenance Reserve	Budget Reserve
Set-aside Reserve Balance as of June 30, 2009	(\$613,740)	-	\$17,563
Current year set-aside requirements	109,889	\$109,889	-
Current year off-sets	-	(109,889)	-
Qualifying Disbursements	(117,197)	(82,599)	-
Set-a-side Reserve Balance as of June 30, 2010	(\$621,047)	(\$82,599)	\$17,563
Amount Carried Forward to Fiscal Year 2011	(\$621,047)	-	\$17,563

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

Note 12 – Set-Aside Calculations (continued)

In addition to the required reserves the Board of Education authorized the Treasurer to deposit additional amounts in the set aside accounts which resulted in an additional designation for textbooks, capital maintenance, and budget reserve as of June 30, 2010. The following table summarizes the additional deposits and related expenditures made during fiscal year 2010.

	Instructional Materials Reserve	Capital Maintenance Reserve	Budget Reserve	Total
Balance at June 30, 2009	\$105,085	\$76,075	\$269,437	\$461,516
Additional Deposits FY2010	(9,969)	98,000	13,000	101,031
Expenditures Against Designated Amounts	(7,307)	(81,099)	-	(88,406)
Encumbrances Against Designated Amounts	(10,636)	(1,162)	-	(11,798)
Total	\$77,173	\$91,814	\$282,437	\$451,424

Note 13 – Contractual Commitments

At June 30, 2010 the District had contractual commitments outstanding related to the 1963 building renovations of \$17,544 to J.B. & Company, Inc., \$106,106 to Schroeder Masonry, Inc., and \$20,680 to County Enterprises, Inc. In addition, the District had contractual commitments outstanding related to the OSFC CFAP building project of \$231,829 to Beilharz Architects, Inc., \$33,171 to STAN, Inc., \$30,804 to New Fax, \$71,865 to Soil Testing, Inc., \$8,647 to Beilharz Consulting, Inc., \$7,726 to Lawhon and Associates, \$7,622,000 to Mel Lanzer Company, \$100,100 to Vulcan Enterprises, Inc., \$414,000 to Ohio Plumbing & Electric. \$1,004,900 to Slagle Mechanical, \$1,840,000 to Woolace Electric Corp., and \$385,624 to Jamison Well Drilling, Inc.

Note 14 – Contingencies

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2010 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, 2010
(Continued)

Note 15 – Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Millstream Career Cooperative

The Millstream Career Cooperative is a distinct political subdivision of the State of Ohio established under Section 3313.90. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Putnam and Hancock Counties' Educational Service Centers serve in an ex-officio capacity for all meetings. To obtain financial information write to the Findlay City School district, Pamela S. Barber, who serves as treasurer, at 227 South West Street, Findlay, Ohio 45840.

Leipsic Local School District
Schedule of Federal Awards Expenditures
For the Year Ending June 30, 2010

Federal Grantor/Pass Through Grantor Number/Program Title	Pass Through Entity Number	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Nutrition Cluster:				
Pass through Ohio Department of Development				
National School Lunch Program	N/A	10.555	\$146,640	\$146,640
Breakfast Program	N/A	10.553	26,946	26,946
Direct Program:				
Non-Cash Assistance:				
National School Lunch Program - Food Commodities - Note 2	N/A	10.555	55,708	55,708
Total U.S. Department of Agriculture			\$229,294	\$229,294
<u>U.S. Department of Education</u>				
Pass through Ohio Department of Education				
ESEA Title I, Part A, Title I Grants to Local Education Agencies				
ARRA - Title I - Targeted Asst. FY 10	N/A	84.389	20,821	20,821
Title I - Targeted Asst. FY 09	049353-C1S1-2009	84.010	-	20,255
Title I - Targeted Asst. FY 10	049353-C1S1-2010	84.010	14,064	124,972
Total Title I - Grants to Local Education Agencies			34,885	166,048
Title I-C Migrant - FY 10	N/A	84.011	3,501	18,051
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children				
Special Education Cluster:				
ARRA - Title VI - B - FY 10	N/A	84.391	159,223	176,915
Drug - Free School Grant - FY 10	049353-DRS1-2010	84.186	234	2,336
ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)				
	N/A	84.394	212,977	197,577
Title II-D Technology - FY 10	049353-TJS1-2010	84.318	126	1,238
Title II-A - Improving Teacher Quality - FY 09	049353-TRS1-2009	84.367	3	-
Title II-A - Improving Teacher Quality - FY 10	049353-TRS1-2010	84.367	3,430	34,086
Total Title II-A - Improving Teacher Quality			3,433	34,086
Career & Technical Education - Basic Grants to States				
Vocational Education Basics - FY 09	049353-3L90-2009	84.048	3,263	-
Vocational Education Basics - FY 10	049353-3L90-2010	84.048	500	-
Total Career & Technical Education - Basic Grants to States			3,763	-
Total U.S. Department of Education			418,142	596,251
Total Federal Expenditures			\$647,436	\$825,545

See accompanying Notes to the Schedule of Federal Awards Expenditures

LEIPSIC LOCAL SCHOOL DISTRICT
Putnam County, Ohio
Notes to the Federal Awards Expenditure Schedule
For the Year Ended June 30, 2010

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2010, the District had immaterial food commodities in inventory.

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

**INDEPENDENT ACCOUNTANTS' 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

To the Board of Education:

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Leipsic Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 3, 2010, wherein we noted that the District followed a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider to be 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-LLSD-03 described in the accompanying schedule of findings to be a material weakness.

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 grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2010-LLSD-01, 2010-LLSD-02 and 2010-LLSD-04.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of the District in a separate letter dated December 3, 2010.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

Charles E. Harris and Associates, Inc.

December 3, 2010

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

**INDEPENDENT ACCOUNTANTS' 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, OH 45856

To the Board of Education

Compliance

We have audited the compliance of Leipsic Local School District, Putnam County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Leipsic Local School District complied, in all material respects, with the requirements referred to above that apply to each its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as finding 2010-LLSD-05.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

CHARLES E. HARRIS & ASSOCIATES, INC.
December 3, 2010

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505**

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
June 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	Yes
(d)(1)(vii)	<i>Major Programs:</i>	Nutrition Cluster: CFDA# 10.553 & 10.555 ARRA - State Fiscal Stabilization Fund CFDA #: 84.394
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

SCHEDULE OF FINDINGS - continued
OMB CIRCULAR A-133 SECTION .505

LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
June 30, 2010

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

FINDING NUMBER 2010-LLSD-01 – Non-compliance Citation

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit entity-wide statements, and assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

Management’s Response: The District does not intend to report in accordance with generally accepted accounting principles.

FINDING NUMBER 2010-LLSD-02 – Non-compliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated and unless it has been appropriated as provided in such chapter. In addition, Auditor of State Audit Bulletin 97-010 requires budgetary compliance to be tested at the legal level of control at the end of the year.

During the year ended June 30, 2010, the following funds’ expenditures exceeded total appropriations:

General Fund	(\$284,999)
Capital Projects Fund:	
OSFC CFAP Fund	(\$8,012,491)

Since the General Fund was cited at the fund level, the legal level violations were not disclosed.

We recommend that the District better monitor appropriations in comparison to expenditures plus encumbrances.

Management’s Response: In the 010 Fund the State (OSFC) provides the funding for the project based on the quarterly cash disbursement needs of the project not when the encumbrances are made. The District opened purchase orders for various contractors of the building project when the contracts were signed in the full amounts of the contracts. Thus at year end, we had encumbrances far exceeding the cash assets available in the 010 fund. Normally the District would advance funds from the General Fund to cover this discrepancy, but the amount of the encumbrances was too large (\$8 million) for the General Fund to cover.

**SCHEDULE OF FINDINGS - continued
OMB CIRCULAR A-133 SECTION .505**

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
June 30, 2010**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)

FINDING NUMBER 2010-LLSD-03 Non-compliance Citation and Material Weakness

The Ohio Department of Education partially funds school districts through semi-monthly foundation payments. The foundation reports include deductions for open enrollment, payments to the educational service center and other miscellaneous adjustments.

The District recorded their foundation payment at a net amount. The District should have recorded the gross revenues and the accompanying deductions. As a result, the District's revenues and expenditures are understated by \$436,363. The District's financial statements have been adjusted to properly reflect their foundation payments.

We recommend that the District record gross revenues and deductions.

Management's Response: The State procedure for recording State revenues and expenditures for open enrollment and compact vocational education students as a gross amount versus a net amount overstates revenue and expenditures on a school by school basis as well as on a State-wide basis. In essence the revenues received for one student is being recorded twice, once by the resident district and again by the educating district. In conjunction expenditures for this one student are being recorded twice as well; the revenues leaving the resident district is being recorded as an expenditure and the educating district is recording the expenditures of the educating the student. Not sure why the State would want to falsify financial records like this, but it is what it is and the district has changed its financial statements to reflect the overstatement of revenues and expenditures.

FINDING NUMBER 2010-LLSD-04 Non-compliance Citation

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

SCHEDULE OF FINDINGS - continued
OMB CIRCULAR A-133 SECTION .505

LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
June 30, 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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Finding Number 2010-LLSD-04 – Non-Compliance Citation (continued)

1. “Then and Now Certificates” – If the fiscal officer can certify that both at the time that contract or order was made (“then”) and at the time that the fiscal officer was completing the certification (“now”), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for payment of the amount due. The District has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for a certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The District may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The District did not make the proper certification of funds in all instances. Fifteen of 72 selections tested during the audit period had the certifications after the obligation date. We recommend that the District institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a “Then and Now” certificate.

Management’s Response: The District will properly use “then and now” certificates in the future.

**SCHEDULE OF FINDINGS - continued
OMB CIRCULAR A-133 SECTION .505**

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
June 30, 2010**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2010-LLSD-05
CFDA Title and Number	ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act, CFDA #84.394
Federal Award Number / Year	2010
Federal Agency	Department of Education
Pass Through Agency	Ohio Department of Education

OMB Circular A-133 Section 230 (b)(2) states that a non-Federal entity shall not charge the cost of auditing any federal fund which has Federal awards expended of less than \$500,000 per year.

For the fiscal years ending June 30, 2009 and 2008, the District did not have a single audit conducted. In fiscal year 2010, the District charged the Budget Stabilization grant \$15,400 of audit costs for 2009 and 2008. These costs were not allowable per the grant agreement.

The District has properly adjusted their financial statements and accounting records.

Management's Response: Management is now aware of the requirement. They will properly record the expenditure in the future.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-LLSD-01	Ohio Administrative Code Section 117-2- 03 (B)-The District did not report their financial statements on a GAAP basis	No	Not Corrected-See Finding 2010-LLSD- 01

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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
MARCH 15, 2011