



Dave Yost • Auditor of State

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	13
Statement of Activities – Cash Basis	14
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds	15
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis - Governmental Funds.....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund.....	17
Statement of Fund Net Position Cash Basis – Proprietary Fund	18
Statement of Receipts, Disbursements, and Change in Fund Net Position– Cash Basis – Proprietary Fund.....	19
Statement of Fiduciary Net Position– Cash Basis – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Funds.....	21
Notes to the Financial Statements.....	23
Federal Awards Receipts and Expenditures Schedule.....	41
Notes to the Federal Awards Receipts and Expenditures Schedule	42
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	45
Schedule of Findings.....	47
Schedule of Prior Audit Findings.....	50

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio, as June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2014, the District removed the classification of a certain fund from the General Fund on the budgetary basis. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

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

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

January 13, 2015

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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, 2014, 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 2014 are as follows:

Net position of governmental activities decreased \$8,258, or 0.13 percent, from the prior year.

Net position of business type activities increased \$15,550, or 36.51 percent, from the prior year.

The District's general governmental receipts were \$5,994,027 or 75.51 percent of all revenue, these being primarily property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,943,767 or 24.49 percent of total revenues of \$7,937,794.

The District's business type general receipts were \$867 or 0.24 percent of all revenue, these being primarily interest and miscellaneous revenue. Program specific revenues in the form of charges for services and operating grants accounted for \$357,064 or 99.76 percent of total revenues of \$357,931.

The District had \$7,946,052 in expenses related to governmental activities: only \$1,943,767 of these expenses were offset by program specific charges for services and grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,994,027 were not adequate to provide for these programs.

The District had \$342,381 in expenses related to business type activities, these expenses were offset by program specific charges for services and operating grants of \$357,064. The District also had \$867 in general revenues and a beginning cash balance of \$42,596 which were adequate to provide for these programs.

The District's major governmental funds were the General Fund and Ohio School Facility Commission (OSFC) Classroom Facility Assistance Program (CFAP) Fund. The major funds had \$6,647,193 and \$37,352, respectively, in revenues and other financing sources, and \$6,510,947 and \$159,796, respectively, in expenditures and other financing uses. During fiscal year 2014, the major funds' balances, increased or (decreased) by \$136,246 and (\$122,444), respectively.

The District's business type Food Service Fund had \$357,931 in revenue and \$342,381 in expenses. During fiscal year 2014 the food service fund balance increased \$15,550 from \$42,596 to \$58,146.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

Using this Annual Report

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

Report Components

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

Fund financial statements provide a greater level of detail. For governmental and business type funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For Leipsic Local School District, the General Fund, 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 cash basis of accounting. Under the District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

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

Reporting the District as a Whole

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2014, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

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

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

Reporting the District's Most Significant Funds

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

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

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013 on another comprehensive basis of accounting.

**Table 1
Net Position**

	Governmental Activities 2014	Governmental Activities 2013	Business Type Activities 2014	Business Type Activities 2013	Total Activities 2014	Total Activities 2013
Assets:						
Cash and Cash Equivalents	\$6,347,883	\$6,356,141	\$58,146	\$42,596	\$6,406,029	\$6,398,737
Net Position:						
Restricted	3,190,369	3,379,774	58,146	42,596	3,248,515	3,422,370
Unrestricted	3,157,514	2,976,367			3,157,514	2,976,367
Total Net Position	<u>\$6,347,883</u>	<u>\$6,356,141</u>	<u>\$58,146</u>	<u>\$42,596</u>	<u>\$6,406,029</u>	<u>\$6,398,737</u>

Over time, net position can serve as a useful indicator of a government's financial position. At year-end, net position was \$6,347,883 for governmental activities and \$58,146 for business type activities.

A portion of the District's net position, \$3,190,369, represents resources that are subject to external restriction on how they may be used. The remaining balance of net position of \$3,157,514 may be used to meet the District's ongoing obligations to the students and creditors. The entire business type net position total is restricted.

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

Table 2

	Governmental Activities 2014	Business Type Activities 2014	Governmental Activities 2013	Business Type Activities 2013
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$182,893	\$147,725	\$318,180	\$162,536
Operating Grants and Contributions	1,725,512	209,339	1,688,882	176,309
Capital Grants and Contributions	35,362		74,178	
Total Program Receipts	<u>1,943,767</u>	<u>357,064</u>	<u>2,081,240</u>	<u>338,845</u>
General Receipts:				
Property Taxes Levied for General Purposes	1,780,757		1,701,711	
Property Taxes Levied for Debt Service	214,464		211,949	
School District Income Taxes for General Purposes	375,187		329,056	
School District Income Taxes for Capital Projects	187,312		164,281	
Payment in Lieu of Taxes	86,322		19,761	

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

Grants and Entitlements Not Restricted to Specific Programs	3,303,393		3,340,833	
Proceeds from Sale of Capital Assets			1,136	
Donations	35,210		95,500	
Interest	2,060	11	2,236	11
Bond Proceeds			3,370,000	
Bond Premium			209,109	
Miscellaneous	9,322	856	12,914	1,314
Total General Receipts	<u>5,994,027</u>	<u>867</u>	<u>9,458,486</u>	<u>1,325</u>
Total Receipts	<u>\$7,937,794</u>	<u>\$357,931</u>	<u>\$11,539,726</u>	<u>\$340,170</u>
Disbursements:				
Instruction:				
Regular	3,152,921		2,983,087	
Special	1,172,073		1,057,938	
Vocational	270,988		309,958	
Support Services:				
Pupil	86,633		78,828	
Instructional Staff	87,130		238,259	
Board of Education	23,207		27,863	
Administration	520,392		503,960	
Fiscal	275,092		237,701	
Operation and Maintenance of Plant	562,048		523,127	
Pupil Transportation	362,066		293,465	
Central Office	58,376			
Food Services		342,381		373,867
Operation of Non-Instructional Service	66,189		101,201	
Extracurricular Activities	387,022		369,185	
Capital Outlay	529,124		978,247	
Payment to Escrow			3,520,654	
Debt Service				
Principal	268,000		207,002	
Bond Issuance			58,455	
Interest and Fiscal Charges	124,791		166,433	
Total Disbursements	<u>7,946,052</u>	<u>342,381</u>	<u>11,655,363</u>	<u>373,867</u>
Increase (Decrease) in Net Position	(8,258)	15,550	(115,637)	(33,697)
Net Position, July 1	<u>6,356,141</u>	<u>42,596</u>	<u>6,471,778</u>	<u>76,293</u>
Net Position, June 30	<u>\$6,347,883</u>	<u>\$58,146</u>	<u>\$6,356,141</u>	<u>\$42,596</u>

Net position of the District's governmental activities decreased \$8,258. Total governmental expenses of \$7,946,052 were offset by program revenues of \$1,943,767 and general revenues of \$5,994,027. Program revenues supported 24.49 percent of the total governmental expenses.

The primary sources of revenue for the governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 73.84 percent of total governmental revenue. Real estate property is reappraised every six years.

Net position of the District's business type activities increased \$15,550. Total business type expenses of \$342,381 were offset by program revenues of \$357,064 and general revenues of \$867.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

Governmental and Business Type Activities

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

Table 3

	Governmental Activities		Business Type Activities		Governmental Activities		Business Type Activities	
	Total Cost of	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
	2014	2014	2014	2014	2013	2013	2013	2013
Current:								
Instruction:								
Regular	\$3,152,921	\$2,532,755			\$2,983,087	\$2,475,756		
Special	1,172,073	413,595			1,057,938	210,735		
Vocational	270,988	209,531			309,958	228,278		
Support Services:								
Pupil	86,633	83,033			78,828	75,228		
Instructional Staff	87,130	61,891			238,259	117,129		
Board of Education	23,207	23,207			27,863	27,863		
Administration	520,392	520,392			503,960	503,960		
Fiscal	275,092	275,092			237,701	237,701		
Operation & Maintenance of Plant	562,048	542,099			523,127	523,127		
Pupil Transportation	362,066	331,223			293,465	273,429		
Central Office	58,376	58,376						
Operation of non-instructional serv.	66,189	(8,490)			101,201	25,162		
Operation of Food Services			\$342,381	\$14,683			\$373,867	\$35,022
Extracurricular Activities	387,022	214,618			369,185	176,075		
Capital Outlay	529,124	491,772			978,247	890,789		
Payment to Bond Escrow					3,520,654	3,520,654		
Debt Service								
Principal	268,000	128,400			207,002	66,483		
Bond Issuance					58,455	58,455		
Interest and Fiscal Charges	124,791	124,791			166,433	163,299		
Total Disbursements	\$7,946,052	\$6,002,285	\$342,381	\$14,683	\$11,655,363	\$9,574,123	\$373,867	\$35,022

The dependence upon tax receipts and unrestricted state entitlements is apparent, 68.67 percent of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 75.54 percent. The District's taxpayers, as a whole, are by far the primary support for District students.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(CONTINUED)**

The District's Funds

The District's funds are accounted for using the cash basis of accounting. Fund balance in the General Fund increased \$136,246 largely due to increase in local property and income taxes and intergovernmental receipts. The \$122,444 decrease in fund balance in the OSFC/CFAP Fund was due to the building project moving closer to completion.

General Fund Budgeting Highlights

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

During fiscal year 2014, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts and other financing sources, in the amount of \$6,624,570, were less than the amount of the original budgeted revenue and other financing sources estimate of \$6,931,387. Actual revenues and other financing sources for fiscal year 2014 was \$6,624,570.

General Fund final budgeted appropriations (appropriated expenditures plus other financing uses) of \$6,597,229 were \$137,035 more than the original budget amount of \$6,460,194. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$6,455,374, which was \$141,855 less than the final budget appropriations.

Debt

At June 30, 2014, the District had outstanding debt of \$3,300,000 in facility construction bonds issued for the District portion of the new school building project; and \$742,000 in a lease/purchase agreement. The lease/purchase was used to renovate the 1963 section of the current school building.

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

Current Issues

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

Contacting the District's Financial Management

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

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Net Position - Cash Basis
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets	\$6,347,883	\$58,146	\$6,406,029
Net Position			
Restricted for:			
Capital Projects	2,237,822		2,237,822
Debt Service	365,897		365,897
Other Purposes	569,087	58,146	627,233
Set Asides	17,563		17,563
Unrestricted	3,157,514		3,157,514
<i>Total Net Position</i>	\$6,347,883	\$58,146	\$6,406,029

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, 2014

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grant and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current:							
Instruction:							
Regular	\$3,152,921	\$23,040	\$597,126		(\$2,532,755)		(\$2,532,755)
Special	1,172,073		758,478		(413,595)		(413,595)
Vocational	270,988		61,457		(209,531)		(209,531)
Support Services:							
Pupil	86,633		3,600		(83,033)		(83,033)
Instructional Staff	87,130		25,239		(61,891)		(61,891)
Board of Education	23,207				(23,207)		(23,207)
Administration	520,392				(520,392)		(520,392)
Fiscal	275,092				(275,092)		(275,092)
Operation and Maintenance of Plant	562,048		19,949		(542,099)		(542,099)
Pupil Transportation	362,066	3,860	26,983		(331,223)		(331,223)
Central Office	58,376				(58,376)		(58,376)
Operation of Non-Instructional Services	66,189		74,679		8,490		8,490
Extracurricular Activities	387,022	155,993	16,411		(214,618)		(214,618)
Capital Outlay	529,124		1,990	\$35,362	(491,772)		(491,772)
Debt Repayment:							
Principal	268,000		139,600		(128,400)		(128,400)
Interest and Fiscal Charges	124,791				(124,791)		(124,791)
<i>Total Governmental Activities</i>	<u>7,946,052</u>	<u>182,893</u>	<u>1,725,512</u>	<u>35,362</u>	<u>(6,002,285)</u>		<u>(6,002,285)</u>
Business-Type Activity							
Food Service	342,381	147,725	209,339			\$14,683	14,683
<i>Total</i>	<u>\$8,288,433</u>	<u>\$330,618</u>	<u>\$1,934,851</u>	<u>\$35,362</u>	<u>(6,002,285)</u>	<u>14,683</u>	<u>(5,987,602)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					1,780,757		1,780,757
Debt Service					214,464		214,464
Income Taxes Levied for:							
General Purposes					375,187		375,187
Capital Projects					187,312		187,312
Grants and Entitlements not Restricted to Specific Programs					3,303,393		3,303,393
Payments in Lieu of Taxes					86,322		86,322
Interest					2,060	11	2,071
Donations					35,210		35,210
Miscellaneous					9,322	856	10,178
<i>Total General Receipts</i>					<u>5,994,027</u>	<u>867</u>	<u>5,994,894</u>
Change in Net Position					(8,258)	15,550	7,292
<i>Net Position Beginning of Year</i>					<u>6,356,141</u>	<u>42,596</u>	<u>6,398,737</u>
<i>Net Position End of Year</i>					<u>\$6,347,883</u>	<u>\$58,146</u>	<u>\$6,406,029</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2014

	<u>General</u>	<u>OSFC/CFAP Facility Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$3,407,327</u>	<u>\$2,012,620</u>	<u>\$927,936</u>	<u>\$6,347,883</u>
Fund Balances				
Non-Spendable	4,840			4,840
Restricted for:				
Capital Projects		2,012,620	316,285	2,328,905
Set-a-sides	17,563			17,563
Debt Service			365,897	365,897
Other Purposes			105,672	105,672
Total Restricted	<u>17,563</u>	<u>2,012,620</u>	<u>787,854</u>	<u>2,818,037</u>
Committed for:				
Capital Projects			71,122	71,122
Education Foundation	19,934		68,960	88,894
Termination Benefits	200,480			200,480
Total Committed	<u>220,414</u>		<u>140,082</u>	<u>360,496</u>
Assigned for:				
Encumbrances	3,604			3,604
Subsequent Year Budget	398,853			398,853
Other Purposes	11,836			11,836
Total Assigned	<u>414,293</u>			<u>414,293</u>
Unassigned	<u>2,750,217</u>			<u>2,750,217</u>
<i>Total Fund Balances</i>	<u>\$3,407,327</u>	<u>\$2,012,620</u>	<u>\$927,936</u>	<u>\$6,347,883</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, 2014

	General	OSFC/CFAP Facility Construction	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,780,757		\$214,464	\$1,995,221
Income Taxes	375,187		187,312	562,499
Payment in Lieu of Taxes			86,322	86,322
Intergovernmental	3,922,177	\$35,362	642,222	4,599,761
Interest	1,948	1,990	179	4,117
Tuition and Fees	355,860			355,860
Extracurricular Activities	8,723		156,812	165,535
Donations	13,900		139,398	153,298
Miscellaneous	13,181		2,000	15,181
<i>Total Receipts</i>	<u>6,471,733</u>	<u>37,352</u>	<u>1,428,709</u>	<u>7,937,794</u>
Disbursements				
Current:				
Instruction:				
Regular	2,949,472		203,449	3,152,921
Special	855,466		316,607	1,172,073
Vocational	270,988			270,988
Support Services:				
Pupil	83,033		3,600	86,633
Instructional Staff	67,578		19,552	87,130
Board of Education	23,207			23,207
Administration	520,392			520,392
Fiscal	258,921		16,171	275,092
Operation and Maintenance of Plant	542,230		19,818	562,048
Pupil Transportation	277,114		84,952	362,066
Central Office	58,376			58,376
Operation of Non-Instructional Services	500		65,689	66,189
Extracurricular Activities	214,152		172,870	387,022
Capital Outlay		159,796	369,328	529,124
Debt Service:				
Principal Retirement			268,000	268,000
Interest and Fiscal Charges			124,791	124,791
<i>Total Disbursements</i>	<u>6,121,429</u>	<u>159,796</u>	<u>1,664,827</u>	<u>7,946,052</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>350,304</u>	<u>(122,444)</u>	<u>(236,118)</u>	<u>(8,258)</u>
Other Financing Sources (Uses)				
Advance In	175,460		388,575	564,035
Advance Out	(389,518)		(174,517)	(564,035)
<i>Total Other Financing Sources (Uses)</i>	<u>(214,058)</u>		<u>214,058</u>	
<i>Net Change in Fund Balances</i>	136,246	(122,444)	(22,060)	(8,258)
<i>Fund Balances Beginning of Year</i>	<u>3,271,081</u>	<u>2,135,064</u>	<u>949,996</u>	<u>6,356,141</u>
<i>Fund Balances End of Year</i>	<u>\$3,407,327</u>	<u>\$2,012,620</u>	<u>\$927,936</u>	<u>\$6,347,883</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,703,427	\$1,780,757	\$1,780,757	
Income Taxes	335,637	375,187	375,187	
Intergovernmental	4,165,073	4,254,997	3,922,177	
Interest	2,400	1,948	1,948	
Tuition and Fees	28,000	23,040	355,860	
Miscellaneous	15,850	13,181	13,181	
<i>Total Receipts</i>	<u>6,250,387</u>	<u>6,449,110</u>	<u>6,449,110</u>	
Disbursements				
Current:				
Instruction:				
Regular	3,005,055	2,926,055	2,883,482	\$42,573
Special	776,224	851,225	856,329	(5,104)
Vocational	306,315	306,315	270,988	35,327
Support Services:				
Pupil	83,362	83,362	83,034	328
Instructional Staff	146,797	94,513	67,703	26,810
Board of Education	26,970	24,670	23,262	1,408
Administration	542,072	548,572	520,392	28,180
Fiscal	248,768	248,468	258,921	(10,453)
Operation and Maintenance of Plant	592,988	592,987	548,331	44,656
Pupil Transportation	296,875	296,875	277,114	19,761
Central Office		52,284	58,376	(6,092)
Extracurricular Activities	186,659	186,659	206,815	(20,156)
<i>Total Disbursements</i>	<u>6,212,085</u>	<u>6,211,985</u>	<u>6,054,747</u>	<u>157,238</u>
<i>Excess of Receipts Over Disbursements</i>	<u>38,302</u>	<u>237,125</u>	<u>394,363</u>	<u>157,238</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets				
Advances In	681,000	175,460	175,460	
Advances Out	(235,000)	(372,135)	(389,518)	(17,383)
Transfer Out	(13,109)	(13,109)	(11,109)	2,000
<i>Total Other Financing Sources (Uses)</i>	<u>432,891</u>	<u>(209,784)</u>	<u>(225,167)</u>	<u>(15,383)</u>
<i>Net Change in Fund Balance</i>	471,193	27,341	169,196	141,855
<i>Restated Fund Balance Beginning of Year</i>	2,963,414	2,963,414	2,963,414	
Prior Year Encumbrances Appropriated	30,918	30,918	30,918	
<i>Fund Balance End of Year</i>	<u>\$3,465,525</u>	<u>\$3,021,673</u>	<u>3,163,528</u>	<u>\$141,855</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fund Net Position - Cash Basis
Proprietary Fund
June 30, 2014

	<u>Food Service Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$58,146</u></u>
Net Position	
Unassigned	<u><u>\$58,146</u></u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Receipts, Disbursements and Changes in
Fund Net Position - Cash Basis - Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Food Service Fund
Operating Receipts	
Charges for Services	\$147,725
Operating Disbursements	
Personal Services	166,337
Materials and Supplies	176,044
<i>Total Operating Disbursements</i>	342,381
<i>Operating Loss</i>	(194,656)
Non-Operating Receipts:	
Interest	11
Intergovernmental Revenue	209,339
Other Non-Operating Revenue	856
<i>Total Non-Operating Receipts</i>	210,206
<i>Changes in Net Position</i>	15,550
Net Position - Beginning of Year	42,596
<i>Net Position - End of Year</i>	\$58,146

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2014

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$152,243</u>	<u>\$25,517</u>
Liabilities:		
Due to Students	<u> </u>	<u>\$25,517</u>
Net Position		
Restricted:		
Held in Trust for Scholarships	<u>\$152,243</u>	

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

	<u>Private Purpose Trust</u>
Additions	
Interest	<u>\$2,783</u>
Deductions	
Scholarship Payments	<u>6,000</u>
<i>Change in Net Position</i>	(3,217)
Net Position Beginning of Year	<u>155,460</u>
<i>Net Position End of Year</i>	<u><u>\$152,243</u></u>

See accompanying notes to the basic financial statements

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 556th largest in the State of Ohio (among 612 school districts) in terms of enrollment. The District is staffed by 27 classified employees, 47 certified teaching personnel, and four administrative employees who provide services to 637 students and other community members. The District currently operates one elementary, middle and high school.

Reporting Entity

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

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

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

The District's reporting entity includes the following:

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

1. Description of the School District and Reporting Entity (Continued)

The District participates in 2 jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 9 and 15 to the basic financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Millstream Career Cooperative

Public Entity Risk Pool:

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

2. Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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. A fund is a fiscal and accounting entity with a self balancing set of accounts. The District classifies each fund as either governmental, proprietary or fiduciary.

Governmental Funds

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

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

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

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

Proprietary Funds: The District's Food Service Fund accounts for food service operations and operates similar to a business enterprise, where user charges (i.e. charges for services) provide significant resources for the activity. The District classifies this fund as an Enterprise fund.

Fiduciary Funds: The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Agency funds are custodial in nature. The District's agency funds account for various student-managed activities and Ohio High School Athletic Association event activity.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

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

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

D. Cash, Cash Equivalents and Investments

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

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 2014, the District invested in STAR Ohio, certificates of deposit, money market deposit accounts and savings accounts.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

District allocates interest earning according to state statute. Interest revenue credited to the General Fund during fiscal year 2014 was \$1,948, which includes \$383 assigned from other District funds.

E. Inventory and Prepaid Items

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

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

G. Compensated Absences

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

H. Long-term Obligations

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

I. Net Position

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

J. Fund Balance Reserves

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

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

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

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

K. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs. Interfund balances are eliminated in the statement of net position, except for any residual amounts due between governmental and business-type activities, which are presented as internal balances

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

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the Board of Education's control that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during fiscal 2014.

M. Budgetary Process

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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

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

N. Stabilization Arrangement

The Board of Education has \$312,077 set aside for budget stabilization. The Board has set aside these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. Of the \$312,077, only \$17,563 was required by state statute and is reported as restricted funds in the General Fund. For the remaining \$294,514, the Board may remove the budget stabilization arrangement at any time, therefore the amount is reported as unassigned fund balance in the General Fund.

3. Accounting and Compliance

A. Change in Accounting Principle

For 2014, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 67, *"Financial Reporting of Pension Plans"* and GASB Statement No. 70, *"Accounting and Financial Reporting for Nonexchange Financial Guarantees"*.

GASB Statement No. 67 replaces the requirements of GASB Statement No. 25 and GASB Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70 provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB Statement No. 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

discretely presented component unit. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District

B. Compliance

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

C. Restatement of Fund Balances

The District's beginning budget basis balance has been restated due to a change in the fund classification as of June 30, 2013. In fiscal year 2013, the 035 Termination Benefits Fund was classified as a General Fund on the Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund. In fiscal year 2014, the 035 Termination Benefits Fund was removed from this statement.

The prior period restatement had the following effect on the District's fund balances as previously reported:

	General Fund
Fund balance as of June 30, 2013	\$3,214,680
Fund reclassifications:	
Termination Benefits Fund	(251,266)
Total reclassifications	(251,266)
Restated fund balance as of July 1, 2013	\$2,963,414

4. Budgetary Basis of Accounting

Budgetary

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

The encumbrances outstanding at year end (budgetary basis) amounted to \$11,549 in the General Fund.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. Budgetary Basis of Accounting (Continued)

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

<u>Net Change in Fund Cash Balance</u>	
	<u>General Fund</u>
Cash Basis	\$136,246
Funds Budgeted Elsewhere	44,499
Adjustment for Encumbrances	<u>(11,549)</u>
Budget Basis	<u>\$169,196</u>

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

5. Deposits and Investments

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

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

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

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

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. Deposits and Investments (Continued)

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

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

Deposits with Financial Institutions

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

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", at June 30, 2014, \$3,253,707 of the District's bank balance of \$6,541,838 was exposed to custodial risk as discussed below, while \$3,288,131 was covered by Federal Deposit Insurance Corporation.

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. Deposits and Investments (Continued)

Investments

As of June 30, 2014, the District's only investment was \$241,331 in STAR Ohio

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

6. Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The full tax rate at the fiscal year ended June 30, 2014 was \$35.55 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2014 taxes were collected were as follows:

	2013 Second - Half Collections		2014 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$59,211,460	76.80%	\$59,364,070	74.83%
Industrial/Commercial	12,473,740	16.18%	12,631,960	15.92%
Public Utility	<u>5,411,820</u>	<u>7.02%</u>	<u>7,332,770</u>	<u>9.25%</u>
Total Assessed Value	<u>\$77,097,020</u>	<u>100.00%</u>	<u>\$79,328,800</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.70		\$35.55	

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

The amount available as an advance at June 30, 2014 was \$150,701 in the General Fund, \$18,904 in the Bond Retirement Fund.

7. School District Income Tax

The District levies a voted tax of .50 percent for general operations and .25 percent for permanent improvements on the income of residents and of estates. The .50 percent tax was effective January 1, 1992, with the .25 percent effective January 1, 1997, both are a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the district after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and Permanent Improvement Fund and totaled \$375,187 and \$187,312, respectively, for fiscal year 2014.

8. Interfund Balances

At June 30, 2014 the District had the following inter-fund advances outstanding from the General Fund:

<u>Fund</u>	<u>Outstanding Advance</u>
Permanent Improvement Fund	\$500,000
Facility Construction Fund	146,000
Athletics Fund	<u>15,000</u>
Total	<u>\$661,000</u>

9. Risk Management

A. Schools of Ohio Risk Sharing Authority

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

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

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

SORSA financial statements are available by contacting SORSA at:

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. Risk Management (Continued)

B. Putnam County Schools Insurance Group

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

C. Workers' Compensation

For fiscal year 2014 the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

10. Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2014, 13.10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$83,516, \$90,728, and \$96,282 respectively, which equaled the required contributions each year.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State.

Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members through June 30, 2013 (then one percent increases annually through July 1, 2016) and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$405,266, \$397,306, and \$386,599, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. Defined Benefit Pension Plans (Continued)

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, 2014, three Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. Postemployment Benefits

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2014, 14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$4,845, \$4,796, and \$4,879 respectively; 94 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 was \$12,041, \$11,674 and \$14,998, respectively; 27 percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013 and 2012.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

11. Postemployment Benefits (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$28,948, \$28,379, and \$27,614, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

12. Debt

The changes in the District’s debt obligations during fiscal year 2014 consist of the following:

	Principal Outstanding 06/30/2013	Reductions	Principal Outstanding 06/30/2014	Amount Due in One Year
Governmental Activities				
OASBO Lease/Purchase Agreement (4.40%)	\$780,000	\$38,000	\$742,000	\$39,000
Facility Construction Bonds (2.58%)	3,370,000	70,000	3,300,000	235,000
Facility Construction Bonds (4.41%)	<u>160,000</u>	<u>160,000</u>	<u> </u>	<u> </u>
Total	<u><u>\$4,310,000</u></u>	<u><u>\$268,000</u></u>	<u><u>\$4,042,000</u></u>	<u><u>\$274,000</u></u>

During fiscal year 2004, the District’s voters approved a 28 year, 4.97 mill bond levy which enabled the District to issue \$4,800,000 in facility construction bonds. These bonds have an average interest rate of 4.41% and will mature in 2027 (23 years). The District’s ability to pay off the bonds is guaranteed through both the collection of the voter approved levy and bond insurance. During fiscal year 2014, the agreement was fully redeemed by the District.

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. Debt (Continued)

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

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

Fiscal Year	Facility Construction Bonds		OASBO Lease/Purchase		Total Debt Obligation
	Principal Due	Interest Due	Principal Due	Interest Due	
2015	\$235,000	\$82,109	\$39,000	\$31,790	\$387,899
2016	245,000	75,916	41,000	30,030	391,946
2017	255,000	69,469	43,000	28,182	395,651
2018	260,000	62,823	45,000	26,246	394,069
2019	200,000	56,889	47,000	24,222	328,111
2020-2024	1,105,000	202,208	267,000	87,582	1,661,790
2025-2028	1,000,000	51,729	260,000	23,452	1,335,181
Total	\$3,300,000	\$601,143	\$742,000	\$251,504	\$4,894,647

13. Set-Aside Calculations

State statute annually requires the District to set aside in the general fund an amount based on a statutory formula to acquire and construct capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years. In prior years, the District was also required to set aside money for budget stabilization.

In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2014, only the unspent portion of prior year bureau of workers compensation refunds is shown as a set aside at year end.

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

	Capital Acquisition	Budget Reserve
Balance June 30, 2013		\$17,563
Current Year Set-aside Requirements	\$105,729	
Current Year Off-sets	(105,729)	
Qualifying Expenditures	(69,054)	
Set-aside Amounts as of June 30, 2014	<u>(\$69,054)</u>	<u>\$17,563</u>

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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, 2014 will not have a material adverse effect on the District.

B. Litigation

The District is not a party to any legal proceedings.

15. Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert counties, and the cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2014, the District paid \$15,581 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804.

B. Millstream Career Cooperative

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
School Breakfast Program	10.553	\$27,221	\$27,221
National School Lunch Program:			
Cash Assistance	10.555	178,063	178,063
Non-cash Assistance (Commodities)	10.555	27,562	27,562
Total National School Lunch Program		<u>205,625</u>	<u>205,625</u>
Total United States Department of Agriculture		<u>232,846</u>	<u>232,846</u>
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	112,413	112,087
Improving Teacher Quality State Grants	84.367	28,579	28,684
Special Education Cluster:			
Special Education - Grants to States	84.027	148,234	148,234
Special Education - Preschool Grants	84.173	2,610	2,610
Total Special Education Cluster		<u>150,844</u>	<u>150,844</u>
Rural Education	84.358	30,428	31,262
English Language Acquisition State Grants	84.365	9,959	9,959
Migrant Education - State Grant Programs	84.011	36,306	33,516
ARRA - Race to The Top	84.395	31,184	30,641
Total United States Department of Education		<u>399,713</u>	<u>396,993</u>
Total Federal Awards Receipts and Expenditures		<u>\$632,559</u>	<u>\$629,839</u>

The accompanying notes are an integral part of this schedule.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amounts passed through to its subrecipient were \$150,844.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leipsic Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles and wherein we noted the District removed the classification of a certain fund from the General Fund on the budgetary basis during 2014.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 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 grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

January 13, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Leipsic Local School District, Putnam County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Leipsic Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

January 13, 2015

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2014-001

Noncompliance Citation

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

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports prepared in accordance using generally accepted accounting principles in the United States Of America.

The District prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2014-002

Material Weakness – Monitoring of Financial Statements

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

The financial statement contained the following errors:

- Tuition revenue in the amount of \$332,820 was recorded as intergovernmental revenue in the General Fund.
- Assigned fund balance for subsequent year budget in the amount of \$398,853 was recorded as unassigned fund balance in the General Fund.

The accompanying financial statements have been adjusted to correct these and other errors, ranging from \$402 to \$398,853

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

Officials' Response:

The District will make the required necessary adjustments in future years. The District disagrees with the Auditor of State guidelines related to open enrollment receipt/expenditure transactions, double booking of revenue/expenditures and treating open enrollment funding as local tuition revenue/expenditures, but will comply with the suggested adjustments in future years.

3. FINDINGS FOR FEDERAL AWARDS

None

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	Ohio Admin. Code §117-2-03(B) for preparing annual financial report on a basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2014-001.
2013-002	Material weakness for lack of monitoring of financial statements.	No	Finding has not been corrected and is repeated in this report as item 2014-002.
2013-003	Material weakness for not reporting and budgeting Ohio Department of Education grants.	Yes	



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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
JANUARY 29, 2015**