

LEIPSIC LOCAL SCHOOL DISTRICT

PUTNAM COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2007

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



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Leipsic Local School District, Putnam County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 4, 2008

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LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY, OHIO
Audit Report
For the year ended June 30, 2007

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leipsic Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2007. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leipsic Local School District, Putnam County, Ohio, as of June 30, 2007, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Charles E. Harris & Associates, Inc.

November 30, 2007

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)

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, 2007, 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 2007 are as follows:

Net assets of governmental activities decreased \$732,919, or 14.04 percent, from the prior year.

Net assets of business type activities decreased \$2,618, or 4.96 percent, from the prior year.

The District's general governmental receipts were \$6,425,880 or 93.97 percent of all revenue, these being primarily property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$412,279 or 6.03 percent of total revenues of \$6,838,159.

The District's business type general receipts were \$6,932 or 2.23 percent of all revenue, these being primarily interest and proceeds from the sale of assets. Program specific revenues in the form of charges for services and operating grants accounted for \$303,354 or 97.77 percent of total revenues of \$310,336.

The District had \$7,571,078 in expenses related to governmental activities: only \$412,279 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,425,880 were not adequate to provide for these programs.

The District had \$312,904 in expenses related to business type activities, these expenses were offset by program specific charges for services and operating grants of \$303,354. The District also had \$6,932 in general revenues and a cash balance of \$52,797 which were adequate to provide for these programs.

The District's major governmental funds were the general, permanent improvement and facility construction funds. The major funds had \$5,677,363, \$900,442, and \$25,515, respectively, in revenues and other financing sources, and \$6,017,934, \$163,126, and \$1,263,896, respectively, in expenditures and other uses. During fiscal year 2007, the major funds' balances, increased or (decreased) by \$(340,571), \$737,316, and (\$1,238,381), respectively. The dramatic decrease in the fund balance of the facility construction fund was related to the construction of the district's new cafeteria and gymnasium addition.

The District's business type food service fund had \$310,286 in revenue and \$312,904 in expenses. During fiscal year 2007 the food service fund balance decreased \$2,618 from \$52,797 to \$50,179.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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 Other Comprehensive Basis of Accounting.

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2007, within the limitations of the other comprehensive basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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 assets and the statement of activities, the Governmental Activities include the District's programs and services including instruction, support services, non-instructional services, extracurricular activities, and capital outlay disbursements. The Business Type Activities include the District's food service operations.

Reporting the District's Most Significant Funds

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

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

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

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.

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.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to fiscal year 2006 on the cash basis of accounting.

Table 1
Net Assets

	Governmental Activities 2007	Governmental Activities 2006	Business Type Activities 2007	Business Type Activities 2006	Total Activities 2007	Total Activities 2006
Assets:						
Cash and Cash Equivalents	\$4,486,348	\$5,219,267	\$50,179	\$52,797	\$4,536,527	\$5,272,064
Net Assets:						
Restricted	3,559,928	3,927,008			3,559,928	3,927,008
Unrestricted	926,420	1,292,259	50,179	52,797	976,599	1,345,056
Total Net Assets	\$4,486,348	\$5,219,267	\$50,179	\$52,797	\$4,536,527	\$5,272,064

Over time, net assets can serve as a useful indicator of a government's financial position. At year-end, net assets were \$4,486,348 for governmental activities and \$50,179 for business type activities.

A portion of the District's net assets, \$3,559,928, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$926,420 may be used to meet the District's ongoing obligations to the students and creditors. The entire business type net assets total is unrestricted.

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)

Table 2

	Governmental Activities 2007	Business Type Activities 2007	Governmental Activities 2006	Business Type Activities 2006
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$155,647	\$178,523	\$147,492	\$205,820
Operating Grants and Contributions	256,632	124,831	494,375	118,388
Total Program Receipts	412,279	303,354	641,867	324,208
General Receipts:				
Property Taxes Levied for General Purposes	1,747,220		2,011,877	
Property Taxes Levied for Debt Service	257,534		320,806	
School District Income Taxes for General Purposes	290,328		278,237	
School District Income Taxes for Capital Projects	145,164		139,118	
Payment in Lieu of Taxes	256,253		258,372	
Grants and Entitlements Not Restricted to Specific Programs	3,240,131		2,784,696	
Proceeds from Sale of Capital Assets		3,913	2,204	
Donations	248,100		148,500	
Interest	222,885	3,019	297,455	2,357
Miscellaneous	18,265		25,118	
Total General Receipts	\$6,425,880	\$6,932	\$6,266,383	\$2,357
Total Receipts	\$6,838,159	\$310,286	\$6,908,250	\$326,565
Disbursements:				
Instruction:				
Regular	2,547,158		\$2,364,618	
Special	787,029		792,399	
Vocational	320,700		329,054	
Support Services:				
Pupil	87,898		108,800	
Instructional Staff	269,313		202,393	
Board of Education	19,947		21,114	
Administration	451,192		515,753	
Fiscal	214,719		236,623	
Operation and Maintenance of Plant	523,236		455,064	
Pupil Transportation	239,861		324,959	
Operation of non-instructional services	134,867		135,510	
Food Services		312,904		\$310,930
Extracurricular Activities	269,429		247,552	
Capital Outlay	1,325,293		3,735,938	
Debt Service				
Principal	196,808		191,808	
Interest and Fiscal Charges	183,628		185,896	
Total Disbursements	7,571,078	312,904	9,847,481	310,930
Increase (Decrease) in Net Assets	(732,919)	(2,618)	(2,939,231)	15,635
Net Assets, July 1	5,219,267	52,797	8,158,498	37,162
Net Assets, June 30	\$4,486,348	\$50,179	\$5,219,267	\$52,797

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)

Net assets of the District's governmental activities decreased \$732,919. Total governmental expenses of \$7,571,078 were offset by program revenues of \$412,279 and general revenues of \$6,425,880. Program revenues supported 5.44 percent of the total governmental expenses.

The primary sources of revenue for the governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 86.82 percent of total governmental receipts. Real estate property is reappraised every six years.

Net assets of the District's business type activities decreased \$2,618. Total business type disbursements of \$312,904 were offset by program receipts of \$303,354 and general receipts of \$6,932.

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
	2007	2007	2007	2007	2006	2006	2006	2006
Current:								
Instruction:								
Regular	\$2,547,158	\$2,470,190			\$2,364,618	\$2,185,717		
Special	787,029	762,799			792,399	789,899		
Vocational	320,700	262,382			329,054	279,611		
Support Services:								
Pupil	87,898	82,898			108,800	97,800		
Instructional Staff	269,313	264,135			202,393	100,103		
Board of Education	19,947	19,947			21,114	21,114		
Administration	451,192	451,192			515,753	515,753		
Fiscal	214,719	214,719			236,623	236,623		
Operation and Maintenance of Plant	523,236	523,236			455,064	455,064		
Pupil Transportation	239,861	224,935			324,959	317,166		
Operation of non-instructional services	134,867	25,523			135,510	(38,865)		
Operation of Food Services			\$312,904	9,550			\$310,930	(13,278)
Extracurricular Activities	269,429	151,114			247,552	131,987		
Capital Outlay	1,325,293	1,325,293			3,735,938	3,735,938		
Debt Service								
Principal	196,808	196,808			191,808	191,808		
Interest and Fiscal Charges	183,628	183,628			185,896	185,896		
Total Disbursements	\$7,571,078	\$7,158,799	\$312,904	\$9,550	\$9,847,481	\$9,205,614	\$310,930	(13,278)

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)

The dependence upon tax receipts and unrestricted state entitlements is apparent, 95.64 percent of instructional activities are supported through these general receipts. For all governmental activities, general receipts support is 94.55 percent. The District's taxpayers, as a whole, are by far the primary support for District students.

The Government's Funds

The District's funds are accounted for using the cash basis of accounting. Total combined fund balance of \$4,536,527 is less than last year's total of \$5,272,064. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

Table 4

	Fund Balance June 30, 2007	Fund Balance June 30, 2006	Increase (Decrease)
General	\$1,409,931	\$1,750,502	\$(340,571)
Permanent Improvement	2,003,122	1,265,806	737,316
Facility Construction	194,650	1,433,031	(1,238,381)
Other Governmental	878,645	769,928	108,717
Food Service	50,179	52,797	(2,618)
Total Fund Balance	<u>\$4,536,527</u>	<u>\$5,272,064</u>	<u>(\$735,537)</u>

General Fund

The District's general fund's balance decreased by \$340,571.

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

Table 5

	2007 Amount	2006 Amount
Receipts		
Taxes	\$2,037,548	\$2,290,114
Intergovernmental	3,163,220	2,770,783
Earnings on Investments	189,697	133,284
Tuition and Fees	27,304	25,947
Miscellaneous	18,265	25,118
Total Receipts	<u>\$5,436,034</u>	<u>\$5,245,246</u>
Disbursements		
Instruction	\$3,306,035	\$3,236,777
Support Services	1,615,641	1,624,049
Extracurricular activities	148,269	142,395
Total Disbursements	<u>\$5,069,945</u>	<u>\$5,003,221</u>
Other Sources (Uses)		
Advances In/(Out) – Net	\$(206,660)	\$19,374
Transfers In/(Out) – Net	(500,000)	(9,505)
Sale of Capital Assets	0	2,204
Total Other Sources (Uses)	<u>\$(706,660)</u>	<u>\$12,073</u>

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
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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 2007, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts, in the amount of \$5,677,528, were below the amount of the original budgeted receipts estimate of \$5,750,449. Actual receipts and other financing sources for fiscal year 2007 was \$5,677,363. This represents a \$165 decrease from final budgeted receipts.

General Fund final budgeted appropriations (appropriated disbursements plus other financing uses) of \$6,239,894 were \$5,974 more than the original budget amount of \$6,233,920. The actual budget basis disbursements and other financing uses for fiscal year 2007 totaled \$6,079,024 which was \$160,870 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets are not reflected in the cash basis of accounting statements, however the District does track capital assets through the State provided software program.

Debt

At June 30, 2007, the District had \$350,040 outstanding on an interest free United States EPA Asbestos Abatement Loan. Of this total, \$66,808 is due within one year and \$283,232 is due in more than one year. In addition, the District had \$4,370,000 in facility construction bonds outstanding. Of this total, \$130,000 is due within one year and \$4,240,000 is due within more than one year. The following table summarizes the bonds outstanding.

	Table 7 Balance <u>June 30, 2007</u>	Balance <u>June 30, 2006</u>	<u>(Decrease)</u>
EPA Asbestos Loan	\$350,040	\$416,848	(\$66,808)
Facility Construction Bonds	\$4,370,000	\$4,500,000	(\$130,000)

Other Contractual Obligations

The District's accrued liabilities are not reported in the cash basis of accounting statements. However, as of June 30, 2007, the District's governmental funds had employment contract obligations remaining of \$381,236 for accrued wages and medicare. The District had \$926,420 in unrestricted net assets to cover this obligation in the governmental funds.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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(Continued)**

As of June 30, 2007, the District's business-type activities had employment contract obligations remaining of \$14,164 in accrued wages and medicare. The District had \$50,179 in unrestricted net assets to cover this obligation in the business-type activities.

Current Issues

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

Contacting the District's Financial Management

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

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**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Net Assets - Cash Basis
June 30, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,486,348	\$50,179	\$4,536,527
Net Assets			
Restricted for:			
Capital Projects	\$2,197,772		\$2,197,772
Debt Service	175,577		175,577
Set Asides	483,511		483,511
Other Purposes	703,068		703,068
Unrestricted	926,420	\$50,179	976,599
<i>Total Net Assets</i>	<u>\$4,486,348</u>	<u>\$50,179</u>	<u>\$4,536,527</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Current:						
Instruction:						
Regular	\$ 2,547,158	\$ 30,554	\$ 46,414	\$ (2,470,190)		\$ (2,470,190)
Special	787,029		24,230	(762,799)		(762,799)
Vocational	320,700		58,318	(262,382)		(262,382)
Support Services:						
Pupil	87,898		5,000	(82,898)		(82,898)
Instructional Staff	269,313		5,178	(264,135)		(264,135)
Board of Education	19,947			(19,947)		(19,947)
Administration	451,192			(451,192)		(451,192)
Fiscal	214,719			(214,719)		(214,719)
Operation and Maintenance of Plant	523,236			(523,236)		(523,236)
Pupil Transportation	239,861	6,778	8,148	(224,935)		(224,935)
Operation of Non-Instructional Services	134,867		109,344	(25,523)		(25,523)
Extracurricular Activities	269,429	118,315		(151,114)		(151,114)
Capital Outlay	1,325,293			(1,325,293)		(1,325,293)
Debt Repayment:						
Principal	196,808			(196,808)		(196,808)
Interest and Fiscal Charges	183,628			(183,628)		(183,628)
<i>Total Governmental Activities</i>	<u>7,571,078</u>	<u>155,647</u>	<u>256,632</u>	<u>(7,158,799)</u>	<u>-</u>	<u>(7,158,799)</u>
Business-Type Activity						
Food Service	312,904	178,523	124,831		\$ (9,550)	(9,550)
Total	<u>\$ 7,883,982</u>	<u>\$ 334,170</u>	<u>\$ 381,463</u>	<u>\$ (7,158,799)</u>	<u>\$ (9,550)</u>	<u>\$ (7,168,349)</u>
General Receipts						
Property Taxes Levied for:						
General Purposes				1,747,220		1,747,220
Debt Service				257,534		257,534
Income Taxes Levied for:						
General Purposes				290,328		290,328
Capital Projects				145,164		145,164
Grants and Entitlements not Restricted to Specific Programs				3,240,131		3,240,131
Payments in Lieu of Taxes				256,253		256,253
Proceeds from Sale of Capital Assets					3,913	3,913
Interest				222,885	3,019	225,904
Donations				248,100		248,100
Miscellaneous				18,265		18,265
<i>Total General Receipts</i>				<u>6,425,880</u>	<u>6,932</u>	<u>6,432,812</u>
Change in Net Assets				(732,919)	(2,618)	(735,537)
<i>Net Assets Beginning of Year</i>				<u>5,219,267</u>	<u>52,797</u>	<u>5,272,064</u>
<i>Net Assets End of Year</i>				<u>\$ 4,486,348</u>	<u>\$ 50,179</u>	<u>\$ 4,536,527</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, 2007

	General	Permanent Improvement	Facility Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,392,368	\$2,003,122	\$194,650	\$878,645	\$4,468,785
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	17,563				17,563
<i>Total Assets</i>	<u>\$1,409,931</u>	<u>\$2,003,122</u>	<u>\$194,650</u>	<u>\$878,645</u>	<u>\$4,486,348</u>
Fund Balances					
Reserved for:					
Encumbrances	\$61,089	\$19,650	\$36,709	\$51,898	\$169,346
Unclaimed Monies	4,244				4,244
Budget Stabilization	17,563				17,563
Unreserved:					
Designated:					
Textbooks and Supplies	82,130				82,130
Capital Maintenance	80,496				80,496
Budget Stabilization	242,437				242,437
Undesignated, Reported in					
General Fund	921,972				921,972
Special Revenue Funds				420,864	420,864
Debt Service Fund				175,577	175,577
Capital Projects Funds		1,983,472	157,941		2,141,413
Permanent Funds				230,306	230,306
<i>Total Fund Balances</i>	<u>\$1,409,931</u>	<u>\$2,003,122</u>	<u>\$194,650</u>	<u>\$878,645</u>	<u>\$4,486,348</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, 2007

	General	Permanent Improvement	Facility Construction	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$ 1,747,220			\$ 257,534	\$ 2,004,754
Income Taxes	290,328	\$ 145,164			435,492
Payment in Lieu of Taxes		221,253		35,000	256,253
Intergovernmental	3,163,220			328,961	3,492,181
Interest	189,697	1,431	\$ 25,515	6,242	222,885
Tuition and Fees	27,304				27,304
Extracurricular Activities				124,332	124,332
Donations				248,100	248,100
Miscellaneous	18,265			8,593	26,858
<i>Total Receipts</i>	<u>5,436,034</u>	<u>367,848</u>	<u>25,515</u>	<u>1,008,762</u>	<u>6,838,159</u>
Disbursements					
Current:					
Instruction:					
Regular	2,296,895			250,263	2,547,158
Special	690,899			96,130	787,029
Vocational	318,241			2,459	320,700
Support Services:					
Pupil	82,890			5,008	87,898
Instructional Staff	92,937			176,376	269,313
Board of Education	19,947				19,947
Administration	451,192				451,192
Fiscal	205,578	2,327		6,815	214,720
Operation and Maintenance of Plant	523,236				523,236
Pupil Transportation	239,861				239,861
Operation of Non-Instructional Services				134,867	134,867
Extracurricular Activities	148,269			121,159	269,428
Capital Outlay		61,397	1,263,896		1,325,293
Debt Service:					
Principal Retirement		66,808		130,000	196,808
Interest and Fiscal Charges				183,628	183,628
<i>Total Disbursements</i>	<u>5,069,945</u>	<u>130,532</u>	<u>1,263,896</u>	<u>1,106,705</u>	<u>7,571,078</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>366,089</u>	<u>237,316</u>	<u>(1,238,381)</u>	<u>(97,943)</u>	<u>(732,919)</u>
Other Financing Sources (Uses)					
Advance In	15,000			221,660	236,660
Advance Out	(221,660)			(15,000)	(236,660)
Transfers In		500,000			500,000
Transfers Out	(500,000)				(500,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(706,660)</u>	<u>500,000</u>	<u>-</u>	<u>206,660</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(340,571)	737,316	(1,238,381)	108,717	(732,919)
<i>Fund Balances Beginning of Year</i>	1,750,502	1,265,806	1,433,031	769,928	5,219,267
<i>Fund Balances End of Year</i>	<u>\$ 1,409,931</u>	<u>\$ 2,003,122</u>	<u>\$ 194,650</u>	<u>\$ 878,645</u>	<u>4,486,348</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual Comparison -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$ 1,690,618	\$ 1,747,220	\$ 1,747,220	\$ -
Income Taxes	284,358	290,327	290,328	1
Intergovernmental	3,218,635	3,163,217	3,163,220	3
Interest	72,000	190,000	189,697	(303)
Tuition and Fees	25,000	27,304	27,304	-
Miscellaneous	15,700	18,131	18,265	134
<i>Total receipts</i>	<u>5,306,311</u>	<u>5,436,199</u>	<u>5,436,034</u>	<u>(165)</u>
Disbursements				
Current:				
Instruction:				
Regular	3,468,988	3,471,588	2,341,540	1,130,048
Special	236,363	236,648	692,763	(456,115)
Vocational	94,235	91,895	323,497	(231,602)
Support Services:				
Pupil	20,316	20,146	83,035	(62,889)
Instructional Staff	58,161	58,161	92,937	(34,776)
Board of Education	43,656	43,656	19,947	23,709
Administration	420,058	420,103	451,340	(31,237)
Fiscal	128,276	128,276	205,578	(77,302)
Operation and Maintenance of Plant	424,580	429,571	523,236	(93,665)
Pupil Transportation	280,922	275,977	248,893	27,084
Extracurricular Activities	115,848	115,373	148,269	(32,896)
<i>Total Disbursements</i>	<u>5,291,403</u>	<u>5,291,394</u>	<u>5,131,035</u>	<u>160,359</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>14,908</u>	<u>144,805</u>	<u>304,999</u>	<u>160,194</u>
Other Financing Sources (Uses)				
Advances In	228,000	15,000	15,000	-
Advances Out	(228,000)	(228,000)	(221,660)	6,340
Transfers In	216,138	226,329	226,329	-
Transfers Out	(714,517)	(720,500)	(726,329)	(5,829)
<i>Total Other Financing Sources (Uses)</i>	<u>(498,379)</u>	<u>(707,171)</u>	<u>(706,660)</u>	<u>511</u>
<i>Net Change in Fund Balance</i>	(483,471)	(562,366)	(401,661)	160,705
<i>Fund Balance Beginning of Year</i>	1,702,678	1,702,678	1,702,678	-
Prior Year Encumbrances Appropriated	47,824	47,824	47,824	-
<i>Fund Balance End of Year</i>	<u>\$ 1,267,031</u>	<u>\$ 1,188,136</u>	<u>\$ 1,348,841</u>	<u>\$ 160,705</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fund Net Assets - Cash Basis
Proprietary Funds
June 30, 2007

	<u>Food Service Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 50,179</u>
Net Assets	
Unrestricted	<u>50,179</u>
<i>Total Net Assets</i>	<u>\$ 50,179</u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Cash Receipts, Disbursements and Changes in
Fund Net Assets - Cash Basis - Proprietary Funds
For the Fiscal Year Ended June 30, 2007

	Food Service Fund
Operating Receipts	
Charges for Services	\$ 178,523
Operating Disbursements	
Personal Services	186,461
Materials and Supplies	126,443
<i>Total Operating Disbursements</i>	312,904
<i>Operating Loss</i>	(134,381)
Non-Operating Receipts/(Disbursements):	
Interest	3,019
Sale of Assets	3,913
Intergovernmental Revenue	124,831
<i>Total Non-Operating Receipts/(Disbursements)</i>	131,763
<i>Changes in Net Assets</i>	(2,618)
Net Assets - Beginning of Year	52,797
<i>Net Assets - End of Year</i>	\$ 50,179

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2007

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 145,143	\$ 17,637
Net Assets		
Held for Student Activities	-	17,637
Held in Trust for Scholarships	145,143	-
Total Net Assets	\$ 145,143	\$ 17,637

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2007

	<u>Private Purpose Trust</u>
Additions	
Interest	\$ 472
Deductions	
Scholarship Payments	<u>8,500</u>
<i>Change in Net Assets</i>	(8,028)
<i>Net Assets Beginning of Year</i>	<u>153,171</u>
<i>Net Assets End of Year</i>	<u><u>\$ 145,143</u></u>

See accompanying notes to the basic financial statements

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Note 1 - Description of the School District and Reporting Entity

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

The District was established prior to 1912. The District serves an area approximately 54 square miles. It is located in Putnam County and includes the Villages of Belmore, Leipsic, and West Leipsic also portions of Blanchard, Ottawa, Liberty, Palmer and Van Buren Townships. The District is the 562nd largest in the State of Ohio (among 615 school districts) in terms of enrollment. The District is staffed by 29 classified employees, 51 certified teaching personnel, and 4 administrative employees who provide services to 672 students and other community members. The District currently operates one elementary, middle and high school.

Reporting Entity

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

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

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

The District’s reporting entity includes the following:

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

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

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Millstream Career Cooperative

Public Entity Risk Pool:

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange 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 assets presents the cash balance of the governmental and business-type activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

B. Fund Accounting

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

Governmental Funds

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

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

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

Facility Construction Fund This capital project fund accounts for financial resources used in the District's building project through the Ohio Schools Facility Commission (OSFC).

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

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

C. Basis of Accounting

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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 2006, the School District invested in STAR Ohio, certificates of deposit, money market deposit accounts and savings accounts.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited during fiscal year 2007 was as follows: General Fund \$189,697, Permanent Improvement Fund \$1,431, Facility Construction Fund \$25,515, Special Revenue Funds \$6,242, Trust Funds \$472, and Food Service Fund \$3,019.

E. Restricted Assets

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for budget stabilization. On June 30, 2007, the District had established a budget stabilization account amounting to \$260,000; however, only \$17,563 of this amount was required by state statute.

F. Inventory and Prepaid Items

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

G. Capital Assets

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

H. Compensated Absences

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

I. Long-term Obligations

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

J. Fund Balance Reserves

The District reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement. The District has fund balance reserves for encumbrances, unclaimed monies and budget stabilization. The budget stabilization reserve of \$17,563 represents the amount required by State statute to be set aside at year end. Also reserved at year end was \$169,346 for encumbrances and \$4,244 for unclaimed monies. The District also has designated additional fund balances of \$242,437, \$82,130 and \$80,496 for budget stabilization, instructional textbooks and supplies, and capital maintenance, respectively.

K. Net Assets

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

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

L. Interfund Activity

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

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the Board of Education's control that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during fiscal 2007.

N. Budgetary Process

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

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

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

Note 3 – Budgetary Basis of Accounting and Compliance

Budgetary

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

The encumbrances outstanding at year end (budgetary basis) amounted to \$61,089 in the general fund.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 3 – Budgetary Basis of Accounting and Compliance (continued)

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.

Note 4 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 4 – Deposits and Investments (continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Cash on Hand – At June 30, 2007 the District had \$750 cash on hand.

Deposits with Financial Institutions

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

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$2,480,192 of the District's bank balance of \$3,386,869 was exposed to custodial risk as discussed below, while \$906,677 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, 2007
(Continued)

Note 4 – Deposits and Investments (continued)

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
STAR Ohio	\$ 1,363,682	\$ 1,363,682	\$ -
Total	\$ 1,363,682	\$ 1,363,682	\$ -

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 1,363,682	100
	\$ 1,363,682	100

Note 5 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent 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 by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 5 – Property Taxes (continued)

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30. HB 66, passed by the Ohio Legislature in June 2005, implemented a phase-out of tangible personal property. The phase-out of tangible personal property will decrease the District's taxable valuation and associated tangible personal property tax revenue. The tangible personal property phase-out will be complete by fiscal year 2010; the District will receive its last tangible personal property tax collection in October, 2008, fiscal year 2009.

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2007 was \$118,678 in the general fund, \$17,204 in the bond retirement fund.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$39,037,550	57.58%	\$39,808,970	59.04%
Industrial/Commercial	5,076,260	7.49%	5,608,600	8.32%
Public Utility	6,456,310	9.52%	6,017,480	8.92%
Tangible Personal Property	17,222,081	25.40%	15,995,205	23.72%
Total Assessed Value	<u>\$67,792,201</u>	<u>100.00%</u>	<u>\$67,430,255</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.47		\$37.45	

Note 6 – School District Income Tax

The District levies a voted tax of .50 percent for general operations and .25 percent for permanent improvements on the income of residents and of estates. The .50 percent tax was effective January 1, 1992, with the .25 percent effective January 1, 1997, both are a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the district after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and permanent improvement fund and totaled \$290,328 and \$145,164, respectively, for fiscal year 2007.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 7 – Interfund Balances

At June 30, 2007 the District had the following interfund advances outstanding from the general fund:

<u>Fund</u>	<u>Outstanding Advances</u>
High School Principal	\$ 46
Entry Year Program	300
Migrant	22,500
Title I	144,998
Title V	1,035
Title IV	3,400
Title II-A	32,879
Title II-D	<u>1,502</u>
Total	<u>\$ 206,660</u>

Note 8 – Risk Management

A. Risk Pool Membership

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

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

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

SORSA financial statements are available by contacting SORSA at:

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

B. Employee Medical Benefits

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

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 8 – Risk Management (continued)

C. Workers' Compensation

For fiscal year 2007, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

Note 9 – Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit 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 contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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 fund health care benefits; for fiscal year 2006 (the latest information available), 10.58 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, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions to SERS for the years ended June 30, 2007, 2006, and 2005 were \$93,792, \$91,380, and \$72,398 respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 9 – Defined Benefit Pension Plans (continued)

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 member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members 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 the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$337,005, \$344,148, and \$308,253. No District employees have elected to participate in the DC or Combined Plans.

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, 2007, three Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 10 - Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$24,072 fiscal year 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$490,122,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006 (the latest information available), the healthcare allocation was 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. The surcharge added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the 2007 fiscal year, District paid \$32,720 fund health care benefits, including the surcharge.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 were \$158,751,207. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide health care reserve equal to at least 150% of the estimated annual net claims costs. The number of participants eligible to receive benefits is 59,492.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 11 – Debt

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

	Principal Outstanding 6/30/2006	Additions	Reductions	Principal Outstanding 6/30/2007	Amount Due in One Year
Governmental Activities					
EPA Asbestos Removal Note (0%)	\$416,848		\$66,808	\$350,040	\$66,808
Facility Construction Bonds (4.41%)	4,500,000		130,000	4,370,000	130,000
Total	\$4,916,848		\$196,808	\$4,720,040	\$196,808

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

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

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2007 are as follows:

Fiscal Year Ending June 30	Asbestos Loan	Facility Construction Bonds		Total
	Principal	Principal	Interest	
2008	\$66,808	\$130,000	\$181,038	\$377,846
2009	66,808	130,000	178,438	375,246
2010	66,808	140,000	175,528	382,336
2011	66,808	140,000	172,168	378,976
2012	66,808	145,000	168,388	380,196
2013-1017	16,000	835,000	766,061	1,617,061
2018-2022		1,080,000	590,306	1,670,306
2023-2027		1,475,000	267,803	1,742,803
2028		295,000	7,375	302,375
Total	\$350,040	\$4,370,000	\$2,507,105	\$7,227,145

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 12 – Set-Aside Calculations

State statute annually requires the District to set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2007, only the unspent portion of prior year bureau of workers compensation refunds is shown as a reserve at year end.

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

	Instructional Materials Reserve	Capital Maintenance Reserve	Budget Reserve
Set-a-side Reserve Balance as of June 30, 2006	(\$513,757)		\$17,563
Current year set-aside requirements	99,698	\$99,698	
Qualifying Disbursements	(114,957)	(185,801)	
Set-aside Reserve Balance as of June 30, 2007	(\$529,016)	(\$86,103)	\$17,563
Amount Carried Forward to Fiscal Year 2008	(\$529,016)		\$17,563

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

In addition to the required reserves, the Board of Education authorized the Treasurer to deposit additional amounts in the set aside accounts which resulted in an additional designation for textbooks, capital maintenance, and budget reserve as of June 30, 2007. The following table summarizes the additional deposits and related disbursements made during fiscal year 2007.

	Instructional Materials Reserve	Capital Maintenance Reserve	Budget Reserve	Total
Balance at June 30, 2006	\$122,611	\$75,632	\$242,437	\$440,680
Additional Deposits FY07	26,631	100,000		126,631
Expenditures Against Designated Amounts	(15,259)	(86,104)		(101,363)
Encumbrances Against Designated Amounts	(51,853)	(9,032)		(60,885)
Total	\$82,130	\$80,496	\$242,437	\$405,063

The balance at June 30, 2006 includes the prior year encumbrances against the set-asides.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)

Note 13 – Contractual Commitments

At June 30, 2007 the District had contractual commitments outstanding related to the District's facility construction project as follows: Pro-Onsite Technology \$34,684.

Note 14 – Contingencies

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2007 will not have a material adverse effect on the District.

B. Litigation

The District is not a party to any legal proceedings.

Note 15 – Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative

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

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

Millstream Career Cooperative

The Millstream Career Cooperative is a distinct political subdivision of the State of Ohio established under Section 3313.90. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Putnam and Hancock Counties' Educational Service Centers serve in an ex-officio capacity for all meetings. To obtain financial information write to the Findlay City School district, Pamela S. Barber, who serves as treasurer, at 227 South West Street, Findlay, Ohio 45840-3377.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax (216) 436-2411

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Leipsic Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 30, 2007, wherein we noted the District followed a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2007-LLSD-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-LLSD-01.

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

We noted certain matters that we have reported to the management of the District in a separate letter dated November 30, 2007.

This report is intended for the information and use of management, the audit committee and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

November 30, 2007

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
SCHEDULE OF FINDINGS
June 30, 2007**

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

FINDING NUMBER 2007-LLSD-01 – Non-compliance Citation and Material Weakness

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

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

The District does not intend to report in accordance with generally accepted accounting principles.

**LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-LLSD-01	Ohio Administrative Code Section 117-2- 03 (B)-The District did not report their financial statements on a GAAP basis	No	Not Corrected-See Finding 2007-LLSD- 01



Mary Taylor, CPA
Auditor of State

LEIPSIC LOCAL SCHOOL DISTRICT
PUTNAM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 18, 2008