

**CHIPPEWA LOCAL
SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003***

STEVEN WORKMAN, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Chippewa Local School District
Doylestown, Ohio

We have reviewed the Independent Auditor's Report of the Chippewa Local School District, Wayne County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2002 through June 30, 2003. 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 Chippewa Local School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 13, 2004

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**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor's Report

Board of Education
Chippewa Local School District
56 North Portage Street
Doylestown, Ohio 44230

We have audited the accompanying general purpose financial statements of the Chippewa Local School District, Wayne County, (the “District”) as of and for the fiscal year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District’s management. Our responsibility is to express an opinion on these general purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Chippewa Local School District, Wayne County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2003 on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
November 20, 2003

GENERAL PURPOSE
FINANCIAL
STATEMENTS

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 351,359	\$ 315,032	\$ 259,101	\$ 109,642
Cash with fiscal agent	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	3,409,034	561,638	-	262,968
Accounts	138	498	-	-
Due from other governments	-	254,755	-	-
Interfund loans receivable	410,250	-	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	15,846	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	51,866	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
OTHER DEBITS:				
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 4,238,493</u>	<u>\$ 1,131,923</u>	<u>\$ 259,101</u>	<u>\$ 372,610</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 27,633	\$ 21,376	\$ -	\$ 100
Accrued wages and benefits	832,865	51,925	-	-
Compensated absences payable	31,372	-	-	-
Pension obligation payable	131,680	9,408	-	-
Interfund loans payable	-	410,250	-	-
Claims payable	-	-	-	-
Deferred revenue	3,124,449	518,833	-	240,358
Due to other governments	21,052	1,636	-	-
Due to students	-	-	-	-
Total liabilities	<u>4,169,051</u>	<u>1,013,428</u>	<u>-</u>	<u>240,458</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings/(accumulated deficit): unreserved	-	-	-	-
Fund balances (deficit):				
Reserved for encumbrances	180,547	21,065	-	331,299
Reserved for prepayments	15,846	-	-	-
Reserved for tax revenue unavailable for appropriation	284,585	42,805	-	22,610
Reserved for instructional materials	8,661	-	-	-
Reserved for BWC refunds	43,205	-	-	-
Unreserved:				
Designated for budget stabilization	363,636	-	-	-
Undesignated	(827,038)	54,625	259,101	(221,757)
Total equity and other credits	<u>69,442</u>	<u>118,495</u>	<u>259,101</u>	<u>132,152</u>
Total liabilities, equity and other credits	<u>\$ 4,238,493</u>	<u>\$ 1,131,923</u>	<u>\$ 259,101</u>	<u>\$ 372,610</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 32,533	\$ 3,641	\$ 23,674	\$ -	\$ -	\$ 1,094,982
-	108,245	-	-	-	108,245
-	-	-	-	-	4,233,640
475	-	-	-	-	1,111
-	-	-	-	-	254,755
-	-	-	-	-	410,250
20,172	-	-	-	-	20,172
-	-	-	-	-	15,846
-	-	-	-	-	51,866
16,343	-	-	10,576,890	-	10,593,233
-	-	-	-	557,012	557,012
<u>\$ 69,523</u>	<u>\$ 111,886</u>	<u>\$ 23,674</u>	<u>\$ 10,576,890</u>	<u>\$ 557,012</u>	<u>\$ 17,341,112</u>
\$ 124	\$ -	\$ -	\$ -	\$ -	\$ 49,233
23,422	-	-	-	-	908,212
8,881	-	-	-	461,996	502,249
15,425	-	-	-	95,016	251,529
-	-	-	-	-	410,250
-	178,044	-	-	-	178,044
-	-	-	-	-	3,883,640
503	-	8,241	-	-	31,432
-	-	7,443	-	-	7,443
<u>48,355</u>	<u>178,044</u>	<u>15,684</u>	<u>-</u>	<u>557,012</u>	<u>6,222,032</u>
-	-	-	10,576,890	-	10,576,890
21,168	(66,158)	-	-	-	(44,990)
-	-	-	-	-	532,911
-	-	-	-	-	15,846
-	-	-	-	-	350,000
-	-	-	-	-	8,661
-	-	-	-	-	43,205
-	-	-	-	-	363,636
-	-	7,990	-	-	(727,079)
<u>21,168</u>	<u>(66,158)</u>	<u>7,990</u>	<u>10,576,890</u>	<u>-</u>	<u>11,119,080</u>
<u>\$ 69,523</u>	<u>\$ 111,886</u>	<u>\$ 23,674</u>	<u>\$ 10,576,890</u>	<u>\$ 557,012</u>	<u>\$ 17,341,112</u>

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CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 2,953,355	\$ 465,020	\$ -	\$ 229,614	\$ -	\$ 3,647,989
Earnings on investments	30,065	-	-	-	-	30,065
Extracurricular activities	-	108,696	-	-	-	108,696
Other local revenues	5,877	137,882	-	-	670	144,429
Intergovernmental - State	5,278,113	327,356	-	46,459	-	5,651,928
Intergovernmental - Federal	-	258,072	-	-	-	258,072
Total revenues	8,267,410	1,297,026	-	276,073	670	9,841,179
Expenditures:						
Current:						
Instruction:						
Regular	4,433,469	54,759	-	18,690	-	4,506,918
Special	390,417	349,659	-	-	-	740,076
Vocational	130,637	-	-	-	-	130,637
Other	463,932	-	-	-	-	463,932
Support services:						
Pupil	372,692	4,671	-	-	500	377,863
Instructional staff	444,207	80,621	-	-	-	524,828
Board of Education	30,097	-	-	-	-	30,097
Administration	859,493	68,855	-	-	-	928,348
Fiscal	240,483	9,280	-	4,557	-	254,320
Operations and maintenance	1,091,126	18,161	-	305,959	-	1,415,246
Pupil transportation	444,897	27,378	-	-	-	472,275
Central	84,836	-	-	-	250	85,086
Community services	-	115,654	-	-	-	115,654
Extracurricular activities	229,868	207,262	-	-	-	437,130
Total expenditures	9,216,154	936,300	-	329,206	750	10,482,410
Excess (deficiency) of revenues over (under) expenditures	(948,744)	360,726	-	(53,133)	(80)	(641,231)
Other financing sources (uses):						
Operating transfers in	940,000	143,500	-	-	-	1,083,500
Operating transfers out	(163,000)	(940,000)	-	-	-	(1,103,000)
Total other financing sources (uses)	777,000	(796,500)	-	-	-	(19,500)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(171,744)	(435,774)	-	(53,133)	(80)	(660,731)
Fund balances, July 1	241,186	554,269	259,101	185,285	8,070	1,247,911
Fund balances, June 30	\$ 69,442	\$ 118,495	\$ 259,101	\$ 132,152	\$ 7,990	\$ 587,180

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES/(DEFICIT)
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 3,107,144	\$ 3,075,727	\$ (31,417)	\$ 511,692	\$ 483,426	\$ (28,266)
Earnings on investments	30,680	30,370	(310)	-	-	-
Extracurricular activities	-	-	-	218,595	206,520	(12,075)
Other local revenues	5,548	5,492	(56)	43,097	40,716	(2,381)
Intergovernmental - State	5,332,026	5,278,113	(53,913)	346,496	327,356	(19,140)
Intergovernmental - Federal	-	-	-	3,511	3,317	(194)
Total revenues	<u>8,475,398</u>	<u>8,389,702</u>	<u>(85,696)</u>	<u>1,123,391</u>	<u>1,061,335</u>	<u>(62,056)</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,429,329	4,383,900	45,429	95,215	53,632	41,583
Special	425,542	409,870	15,672	375,513	354,369	21,144
Vocational	129,157	128,752	405	-	-	-
Other	464,415	463,955	460	-	-	-
Support services:						
Pupil	389,108	367,497	21,611	6,873	4,957	1,916
Instructional staff	442,214	436,869	5,345	103,260	77,832	25,428
Board of Education	37,846	32,155	5,691	-	-	-
Administration	873,769	864,321	9,448	85,229	71,243	13,986
Fiscal	261,790	237,398	24,392	9,382	9,280	102
Operations and maintenance	1,269,131	1,228,948	40,183	29,307	20,033	9,274
Pupil transportation	511,491	449,102	62,389	-	-	-
Central	117,490	99,689	17,801	30,014	27,378	2,636
Community services	-	-	-	166,162	130,430	35,732
Extracurricular activities	247,810	235,556	12,254	235,987	209,855	26,132
Facilities acquisition & construction	5	-	5	-	-	-
Debt service:						
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>9,599,097</u>	<u>9,338,012</u>	<u>261,085</u>	<u>1,136,942</u>	<u>959,009</u>	<u>177,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,123,699)</u>	<u>(948,310)</u>	<u>175,389</u>	<u>(13,551)</u>	<u>102,326</u>	<u>115,877</u>
Other financing sources (uses):						
Advances in	-	-	-	225,719	213,250	(12,469)
Advances out	(214,880)	(213,250)	1,630	-	-	-
Operating transfers in	949,602	940,000	(9,602)	151,890	143,500	(8,390)
Operating transfers out	(163,959)	(163,000)	959	(940,000)	(940,000)	-
Total other financing sources (uses)	<u>570,763</u>	<u>563,750</u>	<u>(7,013)</u>	<u>(562,391)</u>	<u>(583,250)</u>	<u>(20,859)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(552,936)</u>	<u>(384,560)</u>	<u>168,376</u>	<u>(575,942)</u>	<u>(480,924)</u>	<u>95,018</u>
Fund balances, July 1	438,499	438,499	-	743,428	743,428	-
Prior year encumbrances appropriated	139,810	139,810	-	26,187	26,187	-
Fund balances (deficit), June 30	<u>\$ 25,373</u>	<u>\$ 193,749</u>	<u>\$ 168,376</u>	<u>\$ 193,673</u>	<u>\$ 288,691</u>	<u>\$ 95,018</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 58,621	\$ 239,336	\$ 180,715	\$ 3,677,457	\$ 3,798,489	\$ 121,032
-	-	-	-	-	-	30,680	30,370	(310)
-	-	-	-	-	-	218,595	206,520	(12,075)
-	-	-	-	-	-	48,645	46,208	(2,437)
-	-	-	11,379	46,460	35,081	5,689,901	5,651,929	(37,972)
-	-	-	-	-	-	3,511	3,317	(194)
-	-	-	70,000	285,796	215,796	9,668,789	9,736,833	68,044
-	-	-	62,132	20,321	41,811	4,586,676	4,457,853	128,823
-	-	-	-	-	-	801,055	764,239	36,816
-	-	-	-	-	-	129,157	128,752	405
-	-	-	-	-	-	464,415	463,955	460
-	-	-	-	-	-	395,981	372,454	23,527
-	-	-	-	-	-	545,474	514,701	30,773
-	-	-	-	-	-	37,846	32,155	5,691
-	-	-	-	-	-	958,998	935,564	23,434
-	-	-	4,953	4,557	396	276,125	251,235	24,890
-	-	-	-	-	-	1,298,438	1,248,981	49,457
-	-	-	640,000	636,264	3,736	1,151,491	1,085,366	66,125
-	-	-	-	-	-	147,504	127,067	20,437
-	-	-	-	-	-	166,162	130,430	35,732
-	-	-	-	-	-	483,797	445,411	38,386
-	-	-	-	-	-	5	-	5
-	-	-	-	-	-	-	-	-
-	-	-	707,085	661,142	45,943	11,443,124	10,958,163	484,961
-	-	-	(637,085)	(375,346)	261,739	(1,774,335)	(1,221,330)	553,005
-	-	-	-	-	-	225,719	213,250	(12,469)
-	-	-	-	-	-	(214,880)	(213,250)	1,630
-	-	-	-	-	-	1,101,492	1,083,500	(17,992)
-	-	-	-	-	-	(1,103,959)	(1,103,000)	959
-	-	-	-	-	-	8,372	(19,500)	(27,872)
-	-	-	(637,085)	(375,346)	261,739	(1,765,963)	(1,240,830)	525,133
259,101	259,101	-	151,705	151,705	-	1,592,733	1,592,733	-
-	-	-	1,884	1,884	-	167,881	167,881	-
\$ 259,101	\$ 259,101	\$ -	\$ (483,496)	\$ (221,757)	\$ 261,739	\$ (5,349)	\$ 519,784	\$ 525,133

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS/(ACCUMULATED DEFICIT)
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees	\$ 71,227	\$ -	\$ 71,227
Sales/charges for services	284,577	1,137,519	1,422,096
Other operating revenues	<u>-</u>	<u>65,550</u>	<u>65,550</u>
Total operating revenues	<u>355,804</u>	<u>1,203,069</u>	<u>1,558,873</u>
Operating expenses:			
Personal services	211,364	323,220	534,584
Contract services	19,239	8,474	27,713
Materials and supplies	263,599	1,229	264,828
Other operating expenses.	-	361	361
Depreciation	2,351	-	2,351
Claims expense	<u>-</u>	<u>1,088,693</u>	<u>1,088,693</u>
Total operating expenses	<u>496,553</u>	<u>1,421,977</u>	<u>1,918,530</u>
Operating loss	<u>(140,749)</u>	<u>(218,908)</u>	<u>(359,657)</u>
Nonoperating revenues:			
Intergovernmental grants	63,244	3,575	66,819
Federal commodities	28,300	-	28,300
Interest revenue.	<u>305</u>	<u>2,742</u>	<u>3,047</u>
Total nonoperating revenues	<u>91,849</u>	<u>6,317</u>	<u>98,166</u>
Net loss before operating transfers	<u>(48,900)</u>	<u>(212,591)</u>	<u>(261,491)</u>
Operating transfers in.	<u>19,500</u>	<u>-</u>	<u>19,500</u>
Net loss	(29,400)	(212,591)	(241,991)
Retained earnings, July 1.	<u>50,568</u>	<u>146,433</u>	<u>197,001</u>
Retained earnings/(accumulated deficit), June 30. .	<u>\$ 21,168</u>	<u>\$ (66,158)</u>	<u>\$ (44,990)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$ 71,018	\$ -	\$ 71,018
Cash received from sales/service charges	284,436	1,137,519	1,421,955
Cash received from other operations	-	65,550	65,550
Cash payments for personal services	(208,972)	(323,220)	(532,192)
Cash payments for contract services	(19,249)	(8,474)	(27,723)
Cash payments for materials and supplies	(243,355)	(1,229)	(244,584)
Cash payments for claims expenses	-	(1,060,369)	(1,060,369)
Cash payments for other expenses	-	(361)	(361)
Net cash used in operating activities	(116,122)	(190,584)	(306,706)
Cash flows from noncapital financing activities:			
Cash received from intergovernmental grants	63,244	3,575	66,819
Transfer in from other funds	19,500	-	19,500
Net cash provided by noncapital financing activities	82,744	3,575	86,319
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(15,843)	-	(15,843)
Net cash used in capital and related financing activities	(15,843)	-	(15,843)
Cash flows from investing activities:			
Interest received	305	2,742	3,047
Net cash provided by investing activities	305	2,742	3,047
Net decrease in cash and cash equivalents	(48,916)	(184,267)	(233,183)
Cash and cash equivalents at beginning of year	81,449	296,153	377,602
Cash and cash equivalents at end of year	\$ 32,533	\$ 111,886	\$ 144,419
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (140,749)	\$ (218,908)	\$ (359,657)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	2,351	-	2,351
Federal donated commodities	28,300	-	28,300
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(8,056)	-	(8,056)
Increase in accounts receivable	(350)	-	(350)
Decrease in accounts payable	(10)	-	(10)
Increase in accrued wages and benefits	3,535	-	3,535
Decrease in compensated absences payable	(3,290)	-	(3,290)
Increase in pension obligation payable	2,074	-	2,074
Increase in due to other governments	73	-	73
Increase in claims payable	-	28,324	28,324
Net cash used in operating activities	\$ (116,122)	\$ (190,584)	\$ (306,706)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Chippewa Local School District (the "District") is organized under Article VI, Sections 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 statute and/or federal guidelines.

The District currently ranks as the 391st largest in terms of total enrollment among the 740 public and community school districts in the state. The District is staffed by 78 non-certificated employees and 109 certificated full-time teaching personnel who provide services to 1,440 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity". The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. The following organizations are described due to their relationship to the District.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Midland Council of Governments

The District is a member of the Midland Council of Governments (COG), which was organized as a council-of-governments entity in accordance with Ohio statute. While the District and the other 21 members are assessed annual user fees for data services, none of the members retain an ongoing financial interest in the COG.

Wayne County Career Center

The Wayne County Career Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Career Center accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)

The District participates in the GRP, an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Basis of Presentation - Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For general purpose financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUND TYPES

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include an expendable trust fund and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, at June 30, 2003, there were no agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District, except those accounted for in the proprietary funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The modified accrual basis of accounting is followed for the governmental funds and expendable trust fund. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

In applying the susceptible to accrual concept under the modified accrual basis of accounting, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2004 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds (except agency). The specific timetable for fiscal year 2003, is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the object level within each function for the general fund and at the fund level of expenditures for all other funds, which are the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the object level within each function for the general fund and at the fund level of expenditures for all other funds, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any object within each function for the general fund and the fund level for all other fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2003.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the object level within each function for the general fund and the fund level for all other funds.

Encumbrance accounting is utilized by District funds during the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 12 discloses encumbrances outstanding for the enterprise funds at fiscal year-end.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2003, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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, 2003.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under existing Ohio statute and Federal regulations, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2003 totaled \$30,065, which included \$20,863 assigned from other funds of the District.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$250. The District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than 60 days after year-end are considered not to have been made with current available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant may include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2003.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable and payable at June 30, 2003.

An analysis of interfund transactions is presented in Note 5.

J. Fund Equity

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepayments, tax revenue unavailable for appropriation, instructional materials and Bureau of Workers Compensation (BWC) refunds.

Designated fund balances represent tentative plans of management, which are subject to change.

K. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Parochial School

Within the District boundaries, St. Peter & Paul Catholic School is operated through the Catholic Diocese. Current state legislation provides funding to the parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund for financial reporting purposes.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established.

O. Inventory

Inventories of the proprietary fund are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchases.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate additional financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Funds</u>	
Early Childhood Education	\$ 5,800
Title VI-B	234,710
Reducing Class Size	32
Miscellaneous Federal Grants	1,571
<u>Enterprise Fund</u>	
Food Service	9,088
<u>Internal Service Fund</u>	
Employee Benefits Self-Insurance	66,158

These deficit balances are a result of accrued wages, benefits, pension and interfund obligations in accordance with GAAP.

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. These funds complied with state statute which does not allow for a negative fund balance at year-end.

- B.** The following funds had expenditures in excess of appropriations contrary to Section 5705.39 (B), Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Emergency Levy	\$146,233
Auxiliary Services	39,814
Early Childhood Education	1,116
Public School Preschool	25,105
Title I	24,200
Title V	147

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

<u>Fund Type/Fund - (Continued)</u>	<u>Excess</u>
<u>Debt Service Fund</u>	
Bond Retirement	\$ 25,218
<u>Capital Projects Fund</u>	
Permanent Improvement	525,399
<u>Enterprise Fund</u>	
Food Service	14,010

C. The following funds had appropriations in excess of estimated resources contrary to Section 5705.41(B), Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Miscellaneous Federal Grants	\$17,911
Reducing Class Size	8,167

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 the Board of Education has identified as not required for use within the current two 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.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with fiscal agent: The District's self insurance reserves are on deposit with a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2003 was \$108,245.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Deposits: At fiscal year-end, the carrying amount of the District's deposits was \$(171,842) and the bank balance was \$104,978. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". The entire bank balance was covered by federal depository insurance. Of the bank balances:

1. \$100,000 was covered by federal depository insurance.
2. \$4,978 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the ESC to a successful claim by the FDIC.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category of Risk 3	Fair Value
Repurchase agreement	\$330,079	\$ 330,079
Not subject to categorization:		
Investment in STAR Ohio	-	988,611
Total investments	<u>\$330,079</u>	<u>\$1,318,690</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

A reconciliation between the classifications of pooled cash and cash equivalents on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,146,848	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(988,611)	988,611
Repurchase Agreement	(330,079)	330,079
GASB Statement No. 3	\$ (171,842)	\$1,318,690

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a reconciliation of the District's operating transfers for 2003:

	Transfers In	Transfers Out
General Fund	\$ 940,000	\$ 163,000
<u>Special Revenue Funds</u>		
Emergency Levy	-	940,000
Early Childhood Education	17,000	-
Title I	126,500	-
<u>Enterprise Funds</u>		
Food Service	19,500	-
Total	\$1,103,000	\$1,103,000

All transfers were made in accordance with Ohio Revised Code Section 5705.14, 5705.15 and 5705.16.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a summarized breakdown of the District's interfund loans receivable and payable at June 30, 2003:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$410,250	\$ -
<u>Special Revenue Funds</u>		
Title VI-B	-	303,500
Title I	-	100,000
Title VI	-	<u>6,750</u>
Total	<u>\$410,250</u>	<u>\$410,250</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by state law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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.

Tangible personal property taxes paid 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.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Wayne 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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. Tax advances available to the District at June 30, 2003 totaled \$350,000.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The assessed value upon which the 2002 taxes were collected was \$155,255,340. Agricultural/residential and public utility/minerals real estate represented 85.39% or \$132,578,460 of this total; commercial & industrial real estate represented 6.04% or \$9,379,220 of this total; public utility tangible represented 5.46% or \$8,470,660 of this total and general tangible property represented 3.11% or \$4,827,000 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$41.10 per \$1,000.00 of assessed valuation for operations.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), advances to other funds, interfund loans, and intergovernmental receivables. Taxes are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state and federal programs.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Property taxes - current and delinquent	\$3,409,034
Interfund loans	410,250
 <u>Special Revenue Funds</u>	
Property taxes - current and delinquent	561,638
Due from other governments	254,755
 <u>Capital Projects Funds</u>	
Property taxes - current and delinquent	262,968

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2003 follows:

Furniture and equipment	\$ 276,075
Less: accumulated depreciation	<u>(259,732)</u>
 Net fixed assets	 <u>\$ 16,343</u>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

<u>Asset Category</u>	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
Land and improvements	\$ 1,523,595	\$ -	\$ -	\$ 1,523,595
Buildings and improvements	4,891,277	-	-	4,891,277
Furniture, fixtures and equipment	3,042,696	73,195	-	3,115,891
Vehicles	<u>1,033,126</u>	<u>13,001</u>	-	<u>1,046,127</u>
Totals	<u>\$10,490,694</u>	<u>\$86,196</u>	<u>\$ -</u>	<u>\$10,576,890</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - LONG-TERM OBLIGATIONS

A. The changes in the District's long-term obligations during fiscal year 2003 were as follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>
Compensated absences	\$430,167	\$ 31,829	\$ -	\$461,996
Pension obligation	<u>78,476</u>	<u>95,016</u>	<u>(78,476)</u>	<u>95,016</u>
Total	<u>\$508,643</u>	<u>\$126,845</u>	<u>\$(78,476)</u>	<u>\$557,012</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$13,972,981 and an unvoted debt margin of \$155,255.

NOTE 10 - EMPLOYEE BENEFITS

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn 10 to 20 days of vacation per year, depending upon length of service. The superintendent and treasurer earn 15 days of vacation per year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers, elementary, middle and high school principals do not earn vacation time.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 10 - EMPLOYEE BENEFITS - (Continued)

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of fifteen days per year for all personnel. The total lifetime maximum sick leave accumulation is 268 days for certified personnel and 240 days for classified personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 60 days for certified employees and classified employees.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted with Harcum - Hyre Insurance Company for property and general liability insurance for boiler coverage. Liability coverage is limited to \$2,000,000 per claim and the boiler and property insurance carries a limitation of \$24,915,000 in the aggregate with a \$1,000 deductible.

Vehicles are covered by Booker/Indiana Insurance Company and hold a \$100 deductible for collision. Automobile liability coverage has a \$1,000,000 limit for collision, a \$1,000,000 limit per accident for bodily injury and a \$5,000 limit for medical payments.

Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior fiscal year.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Employee Health Insurance

Major medical, hospitalization, dental, life, and/or disability coverage is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of several school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The plan is administered through OME-RESA and provides stop loss protection of \$30,000 per individual per year. The claims liability of \$178,044 reported in the internal service fund at June 30, 2003 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, Risk Financing Omnibus, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the current and past two fiscal years is as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2003	\$149,720	\$1,088,693	\$(1,060,369)	\$178,044
2002	125,327	844,811	(820,418)	149,720

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Worker's Compensation

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A). The intent of the GRP is to achieve the benefit of 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "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. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 284,577	\$71,227	\$ 355,804
Operating expenses less depreciation	423,059	71,143	494,202
Depreciation expense	2,351	-	2,351
Operating income/(loss)	(140,833)	84	(140,749)
Nonoperating revenues:			
Donated commodities	28,300	-	28,300
Intergovernmental grants	63,244	-	63,244
Net income/(loss)	(29,484)	84	(29,400)
Net working capital	(13,677)	30,256	16,579
Total assets	39,267	30,256	69,523
Total liabilities	48,355	-	48,355
Total equity	(9,088)	30,256	21,168
Encumbrances outstanding at June 30, 2003	2,374	6,368	8,742

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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 State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2003, 8.17% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$229,228, \$201,935, and \$205,332, respectively; 50.22% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$114,120, represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - 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% 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.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$619,752, \$667,483, and \$628,146, respectively; 82.70% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$107,232, represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees 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 Systems/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$44,268 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. 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.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$117,502 during the 2003 fiscal year.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess (Deficiency) of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other Financing Uses**

	<u>All Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$(384,560)	\$(480,924)	\$(375,346)
Net adjustment for revenue accruals	(122,292)	235,691	(9,723)
Net adjustment for expenditure accruals	(87,618)	(3,632)	537
Net adjustment for other financing sources/(uses)	213,250	(213,250)	-
Net adjustment for encumbrances	<u>209,476</u>	<u>26,341</u>	<u>331,399</u>
GAAP Basis	<u><u>\$(171,744)</u></u>	<u><u>\$(435,774)</u></u>	<u><u>\$(53,133)</u></u>

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year-ended June 30, 2003, the reserve activity was as follows:

	<u>Textbook/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>	<u>Designated Budget Stabilization</u>
Set-aside cash balance as of July 1, 2002	\$(86,081)	\$ (885,454)	\$43,205	\$363,636
Current year set-aside requirement	193,715	193,715	-	-
Current year offsets	-	(285,796)	-	-
Current year qualifying expenditures	<u>(98,973)</u>	<u>(141,489)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,661</u>	<u>\$(1,119,024)</u>	<u>\$43,205</u>	<u>\$363,636</u>
Cash balance carried forward to FY 2004	<u>\$ 8,661</u>	<u>\$(1,119,024)</u>	<u>\$43,205</u>	<u>\$363,636</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. The District is still required by state law to maintain the textbook/instructional materials reserve and capital acquisition reserve. Further, via Board Resolution, the District elected to maintain its budget stabilization amount at June 30, 2003.

The District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the textbook and capital acquisition reserves, these extra amounts may be used to reduce the set-aside requirement for future years. The negative amounts are therefore presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for textbooks/instructional materials	\$ 8,661
Amount restricted for BWC refunds	<u>43,205</u>
Total restricted assets	<u>\$51,866</u>

SUPPLEMENTAL DATA

**CHIPPEWA LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (B) Food Distribution	10.550	N/A	\$ -	\$ 28,300	\$ -	\$ 28,300
(A) (C) National School Luncl	10.555	050534-LLP4-2002	8,942		8,942	
(A) (C) National School Luncl	10.555	050534-LLP4-2003	51,827		51,827	
Total U.S. Department of Agriculture and Nutrition Cluster			<u>60,769</u>	<u>28,300</u>	<u>60,769</u>	<u>28,300</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	050534-C1S1-2002	-		93,696	
Title VI-B - Special Education: Grants to State	84.027	050534-6BSF-2002-P	-		161,449	
Eisenhower Professional Developmen	84.281	050534-MSSI-2002	-		4,531	
Title VI - Innovative Education Program Strategie	84.298	050534-C2S1-2002	-		3,244	
Title VI-R - Class Size Reduction	84.340	050534-CRS1-2002	-		8,167	
School Renovation, IDEA and Technolog	84.352A	050534-AT53-2002	3,317		6,041	
Total U.S. Department of Education			<u>3,317</u>		<u>277,128</u>	
Total Federal Financial Assistance			<u>\$ 64,086</u>	<u>\$ 28,300</u>	<u>\$ 337,897</u>	<u>\$ 28,300</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major program
 (B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices
 (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on first-in, first-out basis.
 (D) This schedule was prepared on the cash basis of accounting

TRIMBLE, JULIAN & GRUBE, INC.

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Education
Chippewa Local School District
56 North Portage Street
Doylestown, Ohio 44230

We have audited the general purpose financial statements of Chippewa Local School District as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated November 20, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Chippewa Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 test disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-CLSD-001 and 2003-CLSD-002. We also noted certain immaterial instances of noncompliance that we have reported to management of Chippewa Local School District in a separate letter dated November 20, 2003.

Board of Education
Chippewa Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chippewa Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of Chippewa Local School District in a separate letter dated November 20, 2003.

This report is intended for the information and use of the management and Board of Education of Chippewa Local School District, Wayne County, and federal awarding agencies and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
November 20, 2003

TRIMBLE, JULIAN & GRUBE, INC.

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Report On Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*

Board of Education
Chippewa Local School District
56 North Portage Street
Doylestown, Ohio 44230

Compliance

We have audited the compliance of Chippewa Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each major federal program for the fiscal year ended June 30, 2003. Chippewa Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of Chippewa Local School District's management. Our responsibility is to express an opinion on Chippewa Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chippewa Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Chippewa Local School District's compliance with those requirements.

Board of Education
Chippewa Local School District

In our opinion, Chippewa Local School District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the fiscal year ended June 30, 2003.

Internal Control Over Compliance

The management of Chippewa Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Chippewa Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over compliance, which we have reported to the management of Chippewa Local School District in a separate letter dated November 20, 2003.

This report is intended for the information and use of management, the Board of Education of Chippewa Local School District, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
November 20, 2003

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2003**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Nutrition Cluster: CFDA #10.550 and #10.555; Title VI-B: CFDA #84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
JUNE 30, 2003**

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

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

Finding Number	2003-CLSD-001
----------------	---------------

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following funds:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Emergency Levy	\$146,233
Auxiliary Services	39,814
Early Childhood Education	1,116
Public School Preschool	25,105
Title I	24,200
Title V	147
<u>Debt Service Fund</u>	
Bond Retirement	25,218
<u>Capital Projects Fund</u>	
Permanent Improvement	525,399
<u>Enterprise Fund</u>	
Food Service	14,010

With appropriations exceeding estimated resources, the District may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
JUNE 30, 2003**

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

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

Finding Number	2003-CLSD-002
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the District had expenditures exceeding appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Miscellaneous Federal Grants	\$17,911
Reducing Class Size	8,167

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the fiscal year. This may be achieved by monitoring the budget more closely on a continual basis.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
JUNE 30, 2003**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2002-CLSD-001	Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.	No	The District's Treasurer is attempting to prepare amendment to the amended certificates on a more frequent/timely basis.
2002-CLSD-002	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	The District's Treasurer is attempting to prepare amendments to the budget on a more frequent/timely basis.
2002-CLSD-003	31 U.S.C. 7501(a) (1)(A) requires non-federal entities that expend \$300,000 or more in a year in Federal Awards shall have an annual single or program-specific audit conducted for that year.	Yes	N/A

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CHIPPEWA LOCAL SCHOOL DISTRICT

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 27, 2004**