

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

*BASIC
FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2004*

STEVEN WORKMAN, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Chippewa Local School District
Doylestown, Ohio

We have reviewed the *Independent Auditors' Report* of the Chippewa Local School District, Wayne County, prepared by Julian and Grube, Inc., for the audit period July 1, 2003 through June 30, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 9, 2006

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Chippewa Local School District, Wayne County, (the "District") as of and for the fiscal year ended June 30, 2004, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Chippewa Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Chippewa Local School District, Wayne County, Ohio, as of June 30, 2004, and the respective changes in financial position thereof and cash flows, where applicable, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the Chippewa Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for fiscal year ended June 30, 2004. In addition, capital assets have been restated due to a change in threshold and errors and omissions in prior years as noted in Note 8.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Chippewa Local School District
Page Two

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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 basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
March 28, 2006

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The Management's Discussion and Analysis of the Chippewa Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$468,124, which represents a 15.93% increase from 2003.
- General revenues accounted for \$9,645,276 in revenue, or 82.99% of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$1,977,090, or 17.01% of total revenues of \$11,622,366.
- The District had \$11,154,242 in expenses related to governmental activities; \$1,977,090 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,645,276 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$9,437,639 in revenues and other financing sources and \$9,348,773 in expenditures and other financing uses. During fiscal 2004, the general fund's fund balance increased \$88,866 from \$70,731 to \$159,597.

Using this Basic Financial Statements Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District's internal service fund accounts for insurance benefits. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its programs which are private in purpose. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for other governments and individuals. These activities are reported in the agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-51 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	Net Assets
	Governmental
	Activities
	<u>2004</u>
<u>Assets</u>	
Current and other assets	\$ 5,410,033
Capital assets	<u>2,807,661</u>
Total assets	<u>8,217,694</u>
<u>Liabilities</u>	
Current liabilities	4,350,938
Long-term liabilities	<u>460,522</u>
Total liabilities	<u>4,811,460</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	2,807,661
Restricted	904,914
Unrestricted	<u>(306,341)</u>
Total net assets	<u>\$ 3,406,234</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$3,406,234. At year-end, unrestricted net assets were a deficit of \$306,341.

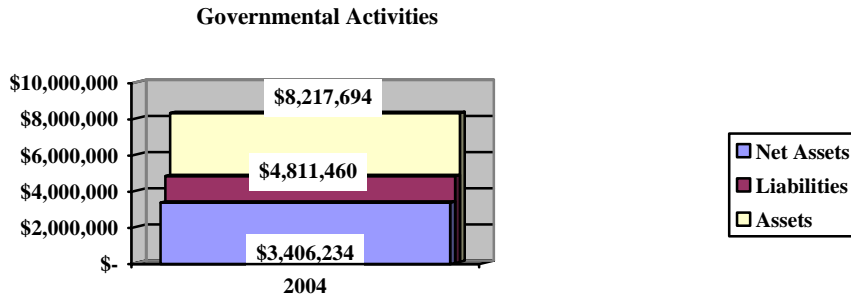
At year-end, capital assets represented 34.17% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and furniture, vehicles, and library books. At June 30, 2004, capital assets, net of related debt to acquire the capital assets, were \$2,807,661. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$904,914, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$306,341.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The table below illustrates the District's assets, liabilities and net assets at June 30, 2004 and 2003:



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

Governmental
Activities
2004

Revenues

Program revenues:	
Charges for services and sales	\$ 632,673
Operating grants and contributions	1,279,202
Capital grants and contributions	65,215
General revenues:	
Property taxes	4,264,646
Grants and entitlements	5,346,570
Investment earnings	14,766
Other	<u>19,294</u>
Total revenues	<u>11,622,366</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Change in Net Assets

	Governmental Activities <u>2004</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 4,616,549
Special	864,995
Vocational	136,076
Other	480,981
Support services:	
Pupil	327,392
Instructional staff	519,621
Board of education	29,571
Administration	881,999
Fiscal	278,837
Operations and maintenance	1,323,557
Pupil transportation	591,895
Central	86,801
Operations of non-instructional services	159,449
Extracurricular activities	430,066
Food service operations	<u>426,453</u>
Total expenses	<u>11,154,242</u>
Change in net assets	468,124
Net assets at beginning of year	<u>2,938,110</u>
Net assets at end of year	<u><u>\$ 3,406,234</u></u>

Governmental Activities

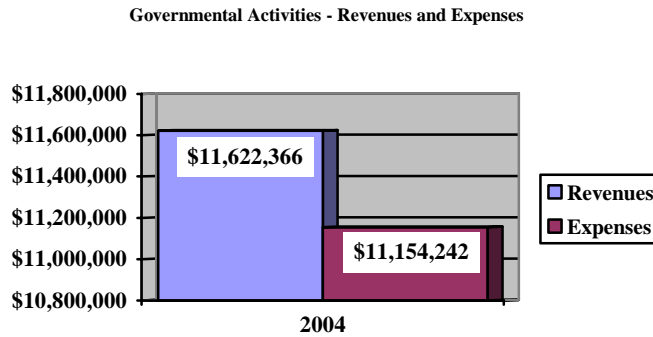
Net assets of the District's governmental activities increased \$468,124. Total governmental expenses of \$11,154,242 were offset by program revenues of \$1,977,090 and general revenues of \$9,645,276. Program revenues supported 17.73% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 82.70% of total governmental revenue. Real estate property is reappraised every six years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.



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

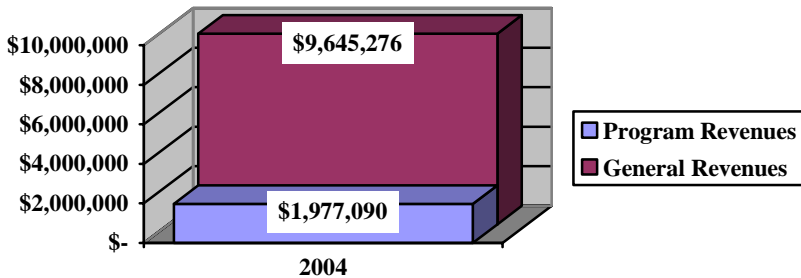
	Governmental Activities	
	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Program expenses		
Instruction:		
Regular	\$ 4,616,549	\$ 4,328,387
Special	864,995	270,185
Vocational	136,076	136,076
Other	480,981	480,981
Support services:		
Pupil	327,392	323,126
Instructional staff	519,621	462,169
Board of education	29,571	29,571
Administration	881,999	815,413
Fiscal	278,837	219,339
Operations and maintenance	1,323,557	1,270,167
Pupil transportation	591,895	571,899
Central	86,801	77,801
Operations of non-instructional services	159,449	(20,708)
Extracurricular activities	430,066	213,818
Food service operations	426,453	(1,072)
Total expenses	<u><u>\$ 11,154,242</u></u>	<u><u>\$ 9,177,152</u></u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 85.52% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.28%. The District's taxpayers, as a whole, are by far the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal year 2004.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$927,051, which is higher than last year's total of \$594,185. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase <u>(Decrease)</u>
General	\$ 159,597	\$ 70,731	\$ 88,866
Other Governmental	<u>767,454</u>	<u>523,454</u>	<u>244,000</u>
Total	<u>\$ 927,051</u>	<u>\$ 594,185</u>	<u>\$ 332,866</u>

General Fund

The District's general fund's fund balance increased by \$88,866. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,537,453	\$ 2,953,355	19.78 %
Earnings on investments	14,322	30,065	(52.36) %
Intergovernmental	5,344,774	5,278,113	1.26 %
Other revenues	<u>21,090</u>	<u>5,877</u>	258.86 %
 Total	 <u>\$ 8,917,639</u>	 <u>\$ 8,267,410</u>	 7.86 %
<u>Expenditures</u>			
Instruction	\$ 5,434,468	\$ 5,418,455	0.29 %
Support services	3,604,728	3,567,831	1.03 %
Extracurricular activities	<u>230,677</u>	<u>229,868</u>	0.35 %
 Total	 <u>\$ 9,269,873</u>	 <u>\$ 9,216,154</u>	 0.58 %

General Fund Budgeting Highlights

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

During fiscal 2004, the District did not amend its estimated resources for the general fund. For the general fund, final budgeted revenues and other financing sources were \$9,546,500, which is equal to the original budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal 2004 were \$9,382,580. This represents a \$163,912 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$9,909,143 were increased to \$9,922,935 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$9,405,013, which was \$517,922 less than the final budgeted appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$2,807,661 invested in land, land improvements, buildings and improvements, equipment and furniture, vehicles, and library books. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances:

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	2004	2003
Land	\$ 1,009,881	\$ 1,009,881
Building and improvements	1,065,440	1,096,710
Equipment and furniture	315,241	310,155
Vehicles	237,701	207,235
Library books	179,398	210,242
Total	\$ 2,807,661	\$ 2,834,223

Total additions to capital assets for 2004 were \$134,958 and there were no disposals. The overall decrease in capital assets of \$26,562 is primarily due to the recording of \$161,520 in depreciation expense for fiscal 2004.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2004, the District had no long-term debt.

See Note 10 to the basic financial statements for additional information on the District's long-term obligations.

Current Financial Related Activities

The District continues to provide an excellent program to our students, parents and community while spending less than the average Ohio school district. The school district spends 11.1% less than the state average for instructional and support services. The Board of Education and management team have carefully managed general fund budgets in order to minimize the need for additional local support. The district had requested an additional two mills to be levied against tax valuations in 2004 for a levy originally approved in November of 1992. The district received 56.9% of its operating revenue from the State of Ohio and does rely on sharing of revenue from both the local taxpayer and the school funding formula. The state share of funding increased slightly from the prior year by .4%.

The District experienced continued improvement in student achievement in fiscal year 2004. This improvement was demonstrated by the "effective" designation of our District on the Ohio Department of Education district report card due to the achievement of 15 out of 18 indicators. The District was able to provide the services necessary to obtain the student achievement while spending \$749.00 less than the average Ohio school district and \$155.00 less than the average for schools within Wayne County.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The District has a low commercial and industrial tax base and relies heavily on residential support for local funding. The District valuation includes residential and agricultural values that equal 85% of the total. Those values experienced a 1.9% increase for 2004 with total values increasing 1.8% from the prior year. Valuation per pupil remains below the county and state averages by 9.7% and 24.9% respectively. The effective amount of mills levied against residential and agricultural properties in 2004 was 23.13 (2003 values).

The District has also experienced little increase in state funding through the state foundation program. The increase for fiscal year 2004 was slightly above one percent. The small increase was attributed to conservative amounts of per pupil allocations and a five year trend of decreased enrollment. The small increase in revenue has forced the district to deal with a deficit projected for the 2006/2007 fiscal year. The Board of Education has been working on a plan to meet the needs of the district program while trying to address revenue shortfalls. They authorized a Financial Task Force to investigate options available to the district and to communicate the problems associated with reaching the desired operating budget.

The District made significant reductions for the fiscal year 2005 budgeted expenditures in response to the projected deficit. The Board of Education is preparing to go back to the voters in 2006 to again propose an emergency property tax levy that will allow reinstatement of some of the reductions made after failure of the levy in March 2004 and to avoid a future operating deficit. The Board of Education has attempted to maintain the levels of student achievement obtained in recent years with less than state average spending, and hopes that with minimal requests for additional local contribution, the district will continue to receive the resources necessary for the educational excellence of all those students being served.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Steven Workman, Treasurer, Chippewa Local School District, 56 North Portage Road, Doylestown, Ohio, 44230-1398.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,171,629
Cash with fiscal agent	140,353
Receivables:	
Taxes	4,056,395
Accounts	3,201
Prepayments	16,082
Materials and supplies inventory	22,373
Capital assets:	
Land	1,009,881
Depreciable capital assets, net	1,797,780
Capital assets, net.	2,807,661
 Total assets.	 8,217,694
 Liabilities:	
Accounts payable.	47,889
Accrued wages and benefits	928,025
Pension obligation payable.	243,476
Intergovernmental payable	20,690
Claims payable.	50,796
Deferred revenue	3,060,062
Long-term liabilities:	
Due within one year.	88,909
Due in more than one year	371,613
 Total liabilities	 4,811,460
 Net Assets:	
Invested in capital assets, net of related debt.	2,807,661
Restricted for:	
Capital projects	341,568
Other purposes	563,346
Unrestricted.	(306,341)
 Total net assets	 \$ 3,406,234

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 4,616,549	\$ 71,771	\$ 180,650	\$ 35,741	\$ (4,328,387)
Special	864,995	-	594,810	-	(270,185)
Vocational	136,076	-	-	-	(136,076)
Other	480,981	-	-	-	(480,981)
Support services:					
Pupil.	327,392	426	3,840	-	(323,126)
Instructional staff	519,621	30,473	26,979	-	(462,169)
Board of education	29,571	-	-	-	(29,571)
Administration.	881,999	6,124	60,462	-	(815,413)
Fiscal.	278,837	-	59,498	-	(219,339)
Operations and maintenance	1,323,557	2,387	21,529	29,474	(1,270,167)
Pupil transportation.	591,895	1,996	18,000	-	(571,899)
Central	86,801	-	9,000	-	(77,801)
Operation of non-instructional services:					
Food service operations	426,453	302,091	125,434	-	1,072
Other non-instructional services	159,449	1,157	179,000	-	20,708
Extracurricular activities.	430,066	216,248	-	-	(213,818)
Total governmental activities	\$ 11,154,242	\$ 632,673	\$ 1,279,202	\$ 65,215	(9,177,152)
General Revenues:					
Property taxes levied for:					
General purposes					3,469,279
Special revenue					528,171
Capital projects					267,196
Grants and entitlements not restricted					
to specific programs.					5,346,570
Investment earnings					14,766
Miscellaneous					19,294
Total general revenues.					9,645,276
Change in net assets					468,124
Net assets at beginning of year.					2,938,110
Net assets at end of year					\$ 3,406,234

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 447,902	\$ 680,522	\$ 1,128,424
Receivables:			
Taxes	3,323,360	733,035	4,056,395
Accounts	465	2,736	3,201
Prepayments	16,082	-	16,082
Materials and supplies inventory	-	22,373	22,373
Restricted assets:			
Equity in pooled cash and cash equivalents	43,205	-	43,205
Total assets	\$ 3,831,014	\$ 1,438,666	\$ 5,269,680
Liabilities:			
Accounts payable	\$ 33,077	\$ 14,812	\$ 47,889
Accrued wages and benefits	848,491	79,534	928,025
Compensated absences payable	58,752	-	58,752
Pension obligation payable.	138,250	13,866	152,116
Intergovernmental payable.	18,546	2,144	20,690
Deferred revenue.	2,574,301	560,856	3,135,157
Total liabilities	3,671,417	671,212	4,342,629
Fund Balances:			
Reserved for encumbrances	73,548	17,004	90,552
Reserved for materials and supplies inventory.	-	22,373	22,373
Reserved for prepayments	16,082	-	16,082
Reserved for property tax unavailable for appropriation	749,059	172,179	921,238
Reserved for BWC refunds.	43,205	-	43,205
Unreserved:			
Designation for budget stabilization	363,636	-	363,636
Unreserved, undesignated, reported in:			
General fund	(1,085,933)	-	(1,085,933)
Special revenue funds.	-	278,693	278,693
Capital projects funds.	-	277,205	277,205
Total fund balances	159,597	767,454	927,051
Total liabilities and fund balances	\$ 3,831,014	\$ 1,438,666	\$ 5,269,680

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$ 927,051
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,807,661
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 75,095	
Total		75,095
An internal service fund is used by management to charge the costs of medical insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		89,557
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	401,770	
Pension obligation payable	91,360	
Total		(493,130)
Net assets of governmental activities		\$ 3,406,234

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 3,537,453	\$ 811,038	\$ 4,348,491
Charges for services.	-	302,091	302,091
Earnings on investments.	14,322	-	14,322
Extracurricular.	-	216,248	216,248
Classroom materials and fees	-	114,334	114,334
Other local revenues.	19,294	-	19,294
Other revenue	1,796	-	1,796
Intergovernmental - State.	5,344,774	485,556	5,830,330
Intergovernmental - Federal	-	858,861	858,861
Total revenue	<u>8,917,639</u>	<u>2,788,128</u>	<u>11,705,767</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,407,391	278,166	4,685,557
Special.	401,276	471,131	872,407
Vocational.	138,004	-	138,004
Other.	487,797	-	487,797
Support services:			
Pupil.	328,543	6,267	334,810
Instructional staff	425,039	72,225	497,264
Board of education	29,990	-	29,990
Administration.	826,863	69,741	896,604
Fiscal	273,683	13,239	286,922
Operations and maintenance.	1,022,361	363,163	1,385,524
Pupil transportation	619,218	20,956	640,174
Central.	79,031	9,000	88,031
Food service operations	-	429,320	429,320
Other non-instructional services.	-	161,709	161,709
Extracurricular activities.	230,677	208,111	438,788
Total expenditures	<u>9,269,873</u>	<u>2,103,028</u>	<u>11,372,901</u>
Excess/(deficiency)of revenues over/ (under) expenditures	<u>(352,234)</u>	<u>685,100</u>	<u>332,866</u>
Other financing sources (uses):			
Transfers in	520,000	78,900	598,900
Transfers (out).	(78,900)	(520,000)	(598,900)
Total other financing sources (uses)	<u>441,100</u>	<u>(441,100)</u>	<u>-</u>
Net change in fund balances	88,866	244,000	332,866
Fund balances at beginning of year (restated).	<u>70,731</u>	<u>523,454</u>	<u>594,185</u>
Fund balances at end of year.	<u>\$ 159,597</u>	<u>\$ 767,454</u>	<u>\$ 927,051</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	332,866
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$161,520) exceeds capital outlays (\$134,958) in the current period.		(26,562)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(83,845)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		86,309
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		159,356
		159,356
Change in net assets of governmental activities	\$	468,124

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 3,091,984	\$ 3,091,984	\$ 3,072,979	\$ (19,005)
Earnings on investments.	14,411	14,411	14,322	(89)
Other local revenues	18,581	18,581	18,467	(114)
Other revenue	1,807	1,807	1,796	(11)
Intergovernmental - State	5,377,829	5,377,829	5,344,774	(33,055)
Total revenue	<u>8,504,612</u>	<u>8,504,612</u>	<u>8,452,338</u>	<u>(52,274)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,778,337	4,402,864	4,358,029	44,835
Special.	382,324	518,979	405,769	113,210
Vocational.	143,391	138,302	136,432	1,870
Other.	206,110	522,512	493,672	28,840
Support services:				
Pupil.	411,990	382,145	333,924	48,221
Instructional staff	485,700	484,985	441,046	43,939
Board of education	30,732	34,938	30,219	4,719
Administration.	893,628	903,357	868,888	34,469
Fiscal	265,040	278,679	276,021	2,658
Operations and maintenance.	1,130,600	1,173,174	1,049,765	123,409
Pupil transportation	628,962	654,708	623,287	31,421
Central.	73,472	103,064	82,118	20,946
Extracurricular activities.	286,873	244,978	226,943	18,035
Total expenditures	<u>9,717,159</u>	<u>9,842,685</u>	<u>9,326,113</u>	<u>516,572</u>
Excess of revenues over (under) expenditures.	<u>(1,212,547)</u>	<u>(1,338,073)</u>	<u>(873,775)</u>	<u>464,298</u>
Other financing sources (uses):				
Transfers in.	1,041,888	1,041,888	520,000	(521,888)
Advance in.	-	-	410,250	410,250
Transfers (out)	(191,984)	(80,250)	(78,900)	1,350
Total other financing sources (uses)	<u>849,904</u>	<u>961,638</u>	<u>851,350</u>	<u>(110,288)</u>
Net change in fund balance	(362,643)	(376,435)	(22,425)	354,010
Fund balance at beginning of year (restated).	197,390	197,390	197,390	-
Prior year encumbrances appropriated . .	209,476	209,476	209,476	-
Fund balance at end of year	<u>\$ 44,223</u>	<u>\$ 30,431</u>	<u>\$ 384,441</u>	<u>\$ 354,010</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent	\$ 140,353
 Total assets	 140,353
 Liabilities:	
Current liabilities:	
Claims payable	50,796
 Total liabilities	 50,796
 Net assets:	
Unrestricted.	89,557
Total net assets	\$ 89,557

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 1,223,784
Other.	79,880
Total operating revenues	1,303,664
 Operating expenses:	
Personal services.	7,592
Purchased services.	318,466
Claims	818,091
Other.	603
Total operating expenses	1,144,752
 Operating income.	158,912
 Nonoperating revenues:	
Interest revenue	444
Total nonoperating revenues	444
 Change in net assets	159,356
 Net assets at beginning of year (restated).	(69,799)
Net assets at end of year.	\$ 89,557

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

		Governmental Activities - Internal Service Fund
<hr/>		
Cash flows from operating activities:		
Cash received from charges for services.	\$	1,223,784
Cash received from other operations.		79,880
Cash payments for personal services		(7,592)
Cash payments for purchased services		(318,466)
Cash payments for claims.		(945,339)
Cash payments for other expenses		(603)
<hr/>		
Net cash provided by operating activities		<u>31,664</u>
 Cash flows from investing activities:		
Interest received		444
<hr/>		
Net cash provided by investing activities		<u>444</u>
 Net increase in cash and cash equivalents.		
		32,108
 Cash and cash equivalents at beginning of year		
		<u>108,245</u>
Cash and cash equivalents at end of year		
	\$	<u><u>140,353</u></u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	158,912
 Changes in assets and liabilities:		
Decrease in claims payable		<u>(127,248)</u>
 Net cash provided by operating activities.		
	\$	<u><u>31,664</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 6,990	\$ 15,062
Total assets.	6,990	15,062
Liabilities:		
Accounts payable.	-	181
Intergovernmental payable	-	8,240
Due to students	-	6,641
Total liabilities	-	\$ 15,062
Net Assets:		
Held in trust for scholarships	6,990	
Total net assets	\$ 6,990	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 809
Total additions.	809
Reductions:	
Scholarships awarded	1,809
Change in net assets	(1,000)
Net assets at beginning of year.	7,990
Net assets at end of year	\$ 6,990

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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 392nd largest in terms of total enrollment among the 613 public school districts in the state. The District is staffed by 74 non-certified employees and 91 certified full-time teaching personnel who provide services to 1,373 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements 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 on or before November 30, 1989 to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

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

Other governmental funds of the District are used to account for (a) grants and other resources whose use is restricted to a particular purpose; (b) the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs; and (c) financial resources to be used for the acquisition, construction or improvement of capital facilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - An internal service fund is used to account for the financing of goods or services provided by one fund or department to other funds or departments of the District, or to other governments, on a cost-reimbursement basis. The internal service fund of the District accounts for a self-insurance program which provides health/medical benefits to employees.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for District agency activities and student-managed activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund are charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of 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 an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 contemplated 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 budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
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 and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any object within each function for the general fund and the fund level for all other funds 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. Appropriations 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 prior to June 30, 2004, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
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 14 provides a reconciliation of the budgetary and GAAP basis of accounting for the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. 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 basic financial statements.

During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). 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.

The District has invested funds in STAR Ohio during fiscal 2004. 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, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$14,322, which includes \$8,565 assigned from other funds.

For presentation on the basic financial statements, 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 District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to activities reported in the governmental funds, and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for acquisitions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. For fiscal 2004, the District increased its capitalization threshold from \$250 to \$2,500. Improvements are capitalized; 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. The District does not possess infrastructure.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	5 - 20 years
Library books	5 - 20 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets. There were no "interfund receivables/payables" at June 30, 2004.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments 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 June 30, 2004, 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 severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a 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 have been established for encumbrances, materials and supplies inventory, prepayments, property taxes unavailable for appropriation, and Bureau of Workers' Compensation (BWC) refunds. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute. A portion of fund balance has been designated for budget stabilization.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. 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.

Q. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

R. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and capital acquisition reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 16.

S. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basis financial statements.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity".

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003 caused by the conversion to the accrual basis of accounting and the elimination of the internal service fund.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003. The reclassification of funds due to GASB Statement No. 34 has also resulted in a restatement of beginning fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) from \$193,749 to \$384,441 in the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance at June 30, 2003	\$ 69,442	\$ 509,748	\$ 579,190
Reclassifications of funds	3,641	4,825	8,466
Implementation of GASB Interpretation No. 6	<u>(2,352)</u>	<u>8,881</u>	<u>6,529</u>
Restated fund balance at June 30, 2003	<u>\$ 70,731</u>	<u>\$ 523,454</u>	<u>\$ 594,185</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance at June 30, 2003	\$ 594,185
GASB 34 adjustments:	
Capital assets	2,834,223
Long-term (deferred) assets	158,940
Long-term liabilities	(473,182)
Pension obligation	(106,257)
Internal service fund	<u>(69,799)</u>
Governmental activities net assets, June 30, 2003	<u>\$ 2,938,110</u>

B. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Services	\$ 6,971
Early Childhood Grant	5,320
Title VI-B	321,407
Title I	121,649

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Noncompliance

- i. In noncompliance with ORC Section 5705.39, the following funds had appropriations in excess of estimated resources for the year ended June 30, 2004:

	<u>Deficit</u>
<u>Nonmajor funds</u>	
Auxiliary Services	117,329
Preschool grant	107,686
Title VI-B	266,389
Title I	297,099
Title VI	18,826
Drug Free grant	14,250
Permanent Improvement	75,397
Food Service	40,374

- ii. In noncompliance with ORC Section 5705.41(B), the following funds had expenditures in excess of appropriations for the year ended June 30, 2004:

	<u>Deficit</u>
<u>Nonmajor funds</u>	
Public School Support	\$ 2,250
Data Communication Fund	9,000
Miscellaneous grants	436
Permanent Improvement	3,551

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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 five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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 2% 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;
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 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument 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 is self-insured through 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, 2004 was \$140,353.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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".

Deposits: At year-end, the carrying amount of the District's deposits was \$158,495 and the bank balance was \$407,315. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$207,315 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 District 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. The District's investments are categorized as follows:

	Fair Value
Investments not subject to categorization:	
Investment in STAR Ohio	\$ 1,035,186
Total investments	\$ 1,035,186

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classifications of deposits and investments per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 1,334,034	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(1,035,186)	1,035,186
Cash with fiscal agent	(140,353)	-
GASB Statement No. 3	\$ 158,495	\$ 1,035,186

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers included the following, as reported in the fund financial statements for the fiscal year ended June 30, 2004:

<u>Transfers from General fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 78,900
<u>Transfers from Nonmajor Governmental funds to:</u>	
General fund	<u>520,000</u>
Total	<u>\$ 598,900</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the Statement of Activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2004, the amounts available as an advance were \$749,059 in the General fund, \$112,667 in the Emergency Levy fund, and \$59,512 in the Permanent Improvement fund. These amounts have been recorded as revenue. The amounts available as an advance at June 30, 2003 were \$284,585 in the General fund, \$42,805 in the Emergency Levy fund, and \$22,610 in the Permanent Improvement fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility/minerals real estate	\$ 132,578,460	85.39	\$ 133,373,650	85.96
Commercial/industrial real estate	9,379,220	6.04	9,651,430	6.22
Public utility tangible property	8,470,660	5.46	7,797,160	5.03
General tangible property	<u>4,827,000</u>	<u>3.11</u>	<u>4,328,056</u>	<u>2.79</u>
Total	<u>\$ 155,255,340</u>	<u>100.00</u>	<u>\$ 155,150,296</u>	<u>100.00</u>
Tax rates per \$1,000 of assessed value:				
General operations	\$ 41.10		\$ 41.10	
Permanent improvements	1.90		1.90	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes and accounts (billings for user charged services and student fees). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the guarantee of federal funds. A summary of the items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Taxes	\$ 4,056,395	
Accounts	3,201	<u> </u>
Total	<u>\$ 4,059,596</u>	

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

A. The capital asset balances of governmental activities have been restated at June 30, 2003 due to changes in the District's capital asset accounting policy, errors and omissions reported in prior years, and in order to depreciate capital assets in accordance with GASB Statement No. 34. The effect of this restatement is as follows:

	<u>Balance</u> <u>6/30/03</u>	<u>Restatement</u>	<u>Restated</u> <u>Balance</u> <u>6/30/03</u>
<u>Governmental Activities</u>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 1,009,881	\$ -	\$ 1,009,881
Total capital assets, not being depreciated	<u>1,009,881</u>	<u>-</u>	<u>1,009,881</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	513,714	(39,986)	473,728
Buildings and improvements	4,891,277	(466,709)	4,424,568
Equipment and furniture	3,115,891	(1,883,587)	1,232,304
Vehicles	1,046,127	(152,819)	893,308
Library books	<u>-</u>	<u>616,859</u>	<u>616,859</u>
Total capital assets, being depreciated	<u>9,567,009</u>	<u>(1,926,242)</u>	<u>7,640,767</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(5,816,425)</u>	<u>(5,816,425)</u>
Governmental activities capital assets, net	<u>\$ 10,576,890</u>	<u>\$ (7,742,667)</u>	<u>\$ 2,834,223</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/04</u>
<u>Governmental Activities</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,009,881	\$ -	\$ -	\$ 1,009,881
Total capital assets, not being depreciated	<u>1,009,881</u>	<u>-</u>	<u>-</u>	<u>1,009,881</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	473,728	-	-	473,728
Buildings and improvements	4,424,568	30,265	-	4,454,833
Equipment and furniture	1,232,304	44,898	-	1,277,202
Vehicles	893,308	59,795	-	953,103
Library books	616,859	-	-	616,859
Total capital assets, being depreciated	<u>7,640,767</u>	<u>134,958</u>	<u>-</u>	<u>7,775,725</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(473,728)	-	-	(473,728)
Buildings and improvements	(3,327,858)	(61,535)	-	(3,389,393)
Equipment and furniture	(922,149)	(39,812)	-	(961,961)
Vehicles	(686,073)	(29,329)	-	(715,402)
Library books	(406,617)	(30,844)	-	(437,461)
Total accumulated depreciation	<u>(5,816,425)</u>	<u>(161,520)</u>	<u>-</u>	<u>(5,977,945)</u>
Governmental activities capital assets, net	<u>\$ 2,834,223</u>	<u>\$ (26,562)</u>	<u>\$ -</u>	<u>\$ 2,807,661</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 86,545
Special	955
<u>Support Services:</u>	
Instructional staff	31,468
Administration	777
Operations and maintenance	11,627
Pupil transportation	25,632
Extracurricular activities	1,347
Food service operations	<u>3,169</u>
Total depreciation expense	<u>\$ 161,520</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - LONG-TERM OBLIGATIONS

- A. The long-term obligation balances of governmental activities have been restated at June 30, 2003. The compensated absences liability has been restated by \$44,910, from \$461,996 to \$506,906, due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, the pension benefit obligation of \$95,016 has been removed from the long-term obligations of governmental activities. Pension benefit obligations are no longer reported as a component of long-term obligations, and are reported separately on the statement of net assets, as they are paid within one year of fiscal year-end. The effect of these restatements on the long-term obligations was a decrease of \$50,106, from \$557,012 to \$506,906. During fiscal 2004, the following changes occurred to the long-term obligations of governmental activities:

	Restated Balance Outstanding <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Compensated absences	\$ 506,906	\$ 15,408	\$ (61,792)	\$ 460,522	\$ 88,909
Total long-term obligations, governmental activities	<u>\$ 506,906</u>	<u>\$ 15,408</u>	<u>\$ (61,792)</u>	<u>\$ 460,522</u>	<u>\$ 88,909</u>

B. Legal Debt Margin

The Ohio Revised Code states that the voted net general obligation debt of the District shall not exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 0.1% of the assessed valuation of the District.

At June 30, 2004, the effects of these debt limitations are a legal voted debt margin of \$13,963,527 and a legal unvoted debt margin of \$155,150.

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.

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 270 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 61 days for certified employees and classified employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 2004, the District contracted with Harcum - Hyre Insurance Company for general liability insurance, property insurance, and boiler coverage. Liability coverage is limited to \$2,000,000 per claim and the boiler and property insurance carries a limitation of \$29,302,212 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 \$2,000,000 limit for collision, a \$2,000,000 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.

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 \$50,796 reported in the internal service fund at June 30, 2004 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", and 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 prior fiscal year are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2004	\$ 178,044	\$ 818,091	\$ (945,339)	\$ 50,796
2003	149,720	1,088,693	(1,060,369)	178,044

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see 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 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 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.

NOTE 12 - 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 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to 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, 2004, 2003, and 2002 were \$228,388, \$229,228, and \$201,935, respectively; 51.09% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$111,716 represents the unpaid contribution for fiscal year 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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. 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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2004 and 2003, 13% of annual covered salary 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, 2004, 2003, and 2002 were \$716,636, \$619,752, and \$667,483, respectively; 83.75% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$116,480 represents the unpaid contribution for fiscal year 2004.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - 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.

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 \$51,188 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91% 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 2004, the minimum pay has been established at \$25,400. 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, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$110,276 during the 2004 fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (22,425)
Net adjustment for revenue accruals	465,301
Net adjustment for expenditure accruals	(50,426)
Net adjustment for other sources/(uses)	(410,250)
Adjustment for encumbrances	106,666
GAAP basis	\$ 88,866

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 15 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in litigation that is currently in appeals. The outcome is unknown.

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.

NOTE 16 - 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, 2004, the reserve activity was as follows:

	Instructional <u>Materials</u>	Capital <u>Maintenance</u>	BWC <u>Refunds</u>	Budget <u>Stabilization</u>
Set-aside balance at June 30, 2003	\$ 8,661	\$(1,119,024)	\$ 43,205	\$ 363,636
Current year set-aside requirement	193,939	193,939	-	-
Qualifying expenditures	<u>(366,149)</u>	<u>(155,938)</u>	<u>-</u>	<u>-</u>
Set-aside balance at June 30, 2004	<u>\$ (163,549)</u>	<u>\$(1,081,023)</u>	<u>\$ 43,205</u>	<u>\$ 363,636</u>
Balance carried forward to FY2005	<u>\$ (163,549)</u>	<u>\$(1,081,023)</u>	<u>\$ 43,205</u>	<u>\$ 363,636</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 16 - STATUTORY RESERVES - (Continued)

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, 2004.

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, 2004 follows:

Amount restricted for BWC refunds	<u>\$ 43,205</u>
Total restricted assets	<u>\$ 43,205</u>

SUPPLEMENTAL DATA

CHIPPEWA LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 Donation	10.550	N/A	\$ -	\$ 39,926	\$ -	\$ 39,926
(A) (C) National School Lunch Program	10.555	050534-LLP4-2003	20,276	-	20,276	-
(A) (C) National School Lunch Program	10.555	050534-LLP4-2004	62,581	-	62,581	-
Total U.S. Department of Agriculture and Nutrition Cluster			<u>82,857</u>	<u>39,926</u>	<u>82,857</u>	<u>39,926</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I-Grants to Local Educational Agencies	84.010	050534-C1S1-2001	74,859	-	-	-
Title I-Grants to Local Educational Agencies	84.010	050534-C1S1-2002	74,229	-	-	-
Title I-Grants to Local Educational Agencies	84.010	050534-C1S1-2003	93,696	-	-	-
Title I-Grants to Local Educational Agencies	84.010	050534-C1S1-2004	116,867	-	116,867	-
Total Title I-Grants to Local Educational Agencies			<u>359,651</u>	<u>-</u>	<u>116,867</u>	<u>-</u>
Special Education-Grants to States	84.027	050534-6BSF-2002-P	88,830	-	-	-
Special Education-Grants to States	84.027	050534-6BSF-2003-P	161,449	-	-	-
Special Education-Grants to States	84.027	050534-6BSF-2004	194,535	-	194,535	-
Total Special Education - Grants to States			<u>444,814</u>	<u>-</u>	<u>194,535</u>	<u>-</u>
Safe and Drug-Free Schools and Communities-State Grants	84.186	050534-DRS1-2001	4,481	-	-	-
Safe and Drug-Free Schools and Communities-State Grants	84.186	050534-DRS1-2002	4,712	-	4,412	-
Safe and Drug-Free Schools and Communities-State Grants	84.186	050534-DRS1-2003	6,294	-	6,294	-
Safe and Drug-Free Schools and Communities-State Grants	84.186	050534-DRS1-2004	3,912	-	-	-
Total Safe and Drug-Free Schools and Communities-State Grants			<u>19,399</u>	<u>-</u>	<u>10,706</u>	<u>-</u>
Eisenhower Professional Development	84.281	050534-MSS1-2002	636	-	-	-
Total Eisenhower Professional Development			<u>636</u>	<u>-</u>	<u>536</u>	<u>-</u>
State Grants for Innovative Programs	84.298	050534-C2S1-2002	6,314	-	7,008	-
State Grants for Innovative Programs	84.298	050534-C2S1-2003	9,099	-	9,099	-
State Grants for Innovative Programs	84.298	050534-C2S1-2004	8,362	-	380	-
Total State Grants for Innovative Programs			<u>23,775</u>	<u>-</u>	<u>16,487</u>	<u>-</u>
Education Technology State Grants	84.318	050534-TJS1-2003	2,566	-	2,566	-
Education Technology State Grants	84.318	050534-TJS1-2004	3,099	-	436	-
Total Education Technology State Grants			<u>5,665</u>	<u>-</u>	<u>3,002</u>	<u>-</u>
Title VI-R: Class Size Reduction	84.340	050534-CRS1-2002	20,963	-	20,963	-
Total Title VI-R: Class Size Reduction			<u>20,963</u>	<u>-</u>	<u>20,963</u>	<u>-</u>
Improving Teacher Quality State Grants	84.367	050534-TRS1-2003	46,323	-	46,323	-
Improving Teacher Quality State Grants	84.367	050534-TRS1-2004	47,577	-	23,966	-
Total Improving Teacher Quality State Grant			<u>93,900</u>	<u>-</u>	<u>70,289</u>	<u>-</u>
Total U.S. Department of Education			<u>968,803</u>	<u>-</u>	<u>433,385</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 1,051,660</u>	<u>\$ 39,926</u>	<u>\$ 516,242</u>	<u>\$ 39,926</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
(B) The Food Donation 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 a first-in, first-out basis.
(D) This schedule was prepared on the cash basis of accounting.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Chippewa Local School District as of and for the fiscal year ended June 30, 2004, which collectively comprise the Chippewa Local School District's basic financial statements and have issued our report thereon dated March, 28, 2006. As disclosed in Note 3 to the financial statements, the Chippewa Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for fiscal year ended June 30, 2004. In addition, capital assets have been restated due to a change in threshold and errors and omissions in prior years as noted in Note 8. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 another matter involving the internal control over financial reporting that we have reported to management of Chippewa Local School District in a separate letter dated March 28, 2006.

Board of Education
Chippewa Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chippewa Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2004-CLSD-001 and 2004-CLSD-002. We also noted certain other matters that we reported to the management of Chippewa Local School District in a separate letter dated March 28, 2006.

This report is intended solely for the information and use of the management, the Board of Education for the 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the typed name of the firm.

Julian & Grube, Inc.
March 28, 2006



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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 the 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, 2004. As disclosed in Note 3 to the financial statements, the Chippewa Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for fiscal year ended June 30, 2004. In addition, capital assets have been restated due to a change in threshold and errors and omissions in prior years as noted in Note 8. The 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 the Chippewa Local School District's management. Our responsibility is to express an opinion on the 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 the 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 the Chippewa Local School District's compliance with those requirements.

In our opinion, the 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, 2004.

However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying schedule of findings as item 2004-CLSD-003.

Board of Education
Chippewa Local School District

Internal Control Over Compliance

The management of the 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 the 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 reportable 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 caused by error or fraud that would be material in relation to its 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.

This report is intended solely for the information and use of the management, the Board of the 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
March 28, 2006

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

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>	Special Education Grant to States: CFDA #84.027; Title I Grants to Local Educational Agencies: CFDA #84.010
<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**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2004-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>Non-Major Funds</u>	<u>Excess</u>
Auxiliary Services	\$ 117,329
Preschool Grant	107,686
Title VI-B	266,389
Title I	297,099
Title VI	18,826
Drug Free	14,250
Permanent Improvement	75,397
Food Service	40,374

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.

Client Response: The Treasurer will attempt to monitor the budget on a continual basis and modify the budget accordingly.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2004-CLSD-002

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>Non-Major Funds</u>	<u>Excess</u>
Public School Support	\$ 2,250
Data Communication Fund	9,000
Miscellaneous grant	436
Permanent Improvement	3,551

With expenditures exceeding appropriations, the District is unlawfully 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.

Client Response: The Treasurer will attempt to monitor the budget on a continual basis and modify the budget accordingly.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

3. FINDINGS FOR FEDERAL AWARDS

Audit Requirement

Finding Number	2004-CLSD-003
CFDA Title and Number	N/A
Federal Award Number/Year	N/A
Federal Agency	N/A
Pass-Through Agency	Ohio Department of Education

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end.

The District expended \$556,168 in federal awards in fiscal year 2004 and did not have an annual Single Audit conducted until fiscal year 2006.

We recommend the District implement a monitoring procedure to ensure the District has a Single Audit conducted when required. We further recommend the District notify the Auditor of State's office should it determine it has spent more than the required threshold. Without a single audit being conducted in a timely manner the District is potentially affecting its federal funding status.

Client Response: The Treasurer will review prior to year end its federal award expenditures and request an annual audit if the District's federal expenditures exceed the \$500,000 threshold.

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-CLSD-001	Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.	No	Not Corrected; Finding repeated as 2004-CLSD-001.
2003-CLSD-002	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	No	Not Corrected; Finding repeated as 2004-CLSD-002.



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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
JUNE 22, 2006**