

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

REGULAR AUDIT

FOR YEAR ENDED JUNE 30, 2008

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Chippewa Local School District, Wayne County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 7, 2009

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**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

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**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

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Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

INDEPENDENT ACCOUNTANTS' REPORT

March 31, 2009

Chippewa Local School District
Wayne County
57 N. Portage St
Doylestown, Ohio 44230

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of **Chippewa Local School District, Wayne County, Ohio** (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, the major funds, and the aggregate remaining fund information of Chippewa Local School District, as of June 30, 2008, and the respective changes in financial position thereof and cash flows, where applicable, and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures 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 also not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities increased \$2,256,860, which represents a 52.29% increase from 2007.
- General revenues accounted for \$10,233,106 in revenue, or 82.58% of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$2,158,286, or 17.42% of total revenues of \$12,391,392.
- The District had \$10,134,532 in expenses related to governmental activities; \$2,158,286 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,233,106 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$10,734,594 in revenues and other financing sources and \$9,054,220 in expenditures. During fiscal 2008, the general fund's fund balance increased \$1,680,374 from a balance of \$59,870 to a balance of \$1,740,244.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

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 2008?" 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.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

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.

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 25-49 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current and other assets	\$ 9,626,670	\$ 7,545,071
Capital assets	<u>3,169,232</u>	<u>3,087,449</u>
Total assets	<u>12,795,902</u>	<u>10,632,520</u>
<u>Liabilities</u>		
Current liabilities	5,718,795	5,807,516
Long-term liabilities	<u>504,525</u>	<u>509,282</u>
Total liabilities	<u>6,223,320</u>	<u>6,316,798</u>
<u>Net Assets</u>		
Invested in capital assets	3,169,232	3,087,449
Restricted	1,073,979	1,102,792
Unrestricted	<u>2,329,371</u>	<u>125,481</u>
Total net assets	<u>\$ 6,572,582</u>	<u>\$ 4,315,722</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$6,572,582. At year-end, unrestricted net assets were \$2,329,371.

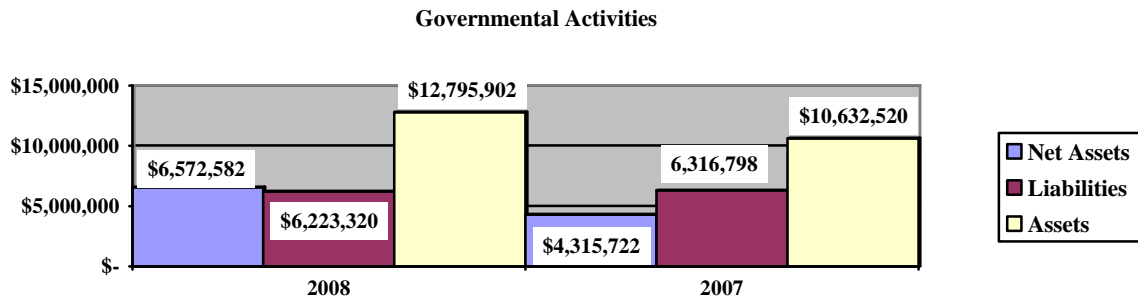
**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

At year-end, capital assets represented 24.77% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and furniture, vehicles, and library books. At June 30, 2008, the amount invested in capital assets, was \$3,169,232. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$1,073,979, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$2,329,371.

The table below illustrates the District's assets, liabilities and net assets at June 30, 2008 and 2007:



The table below shows the change in net assets for fiscal year 2008 and 2007.

	Change in Net Assets	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 670,930	\$ 675,277
Operating grants and contributions	1,449,966	435,704
Capital grants and contributions	37,390	393,532
General revenues:		
Property taxes	4,416,365	4,235,345
School district income taxes	272,853	-
Grants and entitlements	5,368,140	5,269,975
Investment earnings	163,185	157,786
Other	<u>12,563</u>	<u>108,196</u>
Total revenues	<u>12,391,392</u>	<u>11,275,815</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

	Change in Net Assets	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,638,262	\$ 4,837,125
Special	1,189,984	870,604
Vocational	25,577	149,252
Other	297,036	164,888
Support services:		
Pupil	186,052	263,666
Instructional staff	270,378	430,332
Board of education	27,654	59,144
Administration	828,529	956,210
Fiscal	274,139	284,086
Operations and maintenance	839,821	1,055,183
Pupil transportation	402,894	501,668
Central	142,197	139,550
Operations of non-instructional services:		
Food service operations	470,630	488,615
Other non-instructional services	76,879	111,166
Extracurricular activities	<u>464,500</u>	<u>459,801</u>
Total expenses	<u>10,134,532</u>	<u>10,771,290</u>
Change in net assets	2,256,860	504,525
Net assets at beginning of year	<u>4,315,722</u>	<u>3,811,197</u>
Net assets at end of year	<u>\$ 6,572,582</u>	<u>\$ 4,315,722</u>

Governmental Activities

Net assets of the District's governmental activities increased \$2,256,860. Total governmental expenses of \$10,134,532 were offset by program revenues of \$2,158,286 and general revenues of \$10,233,106. Program revenues supported 21.30% of the total governmental expenses.

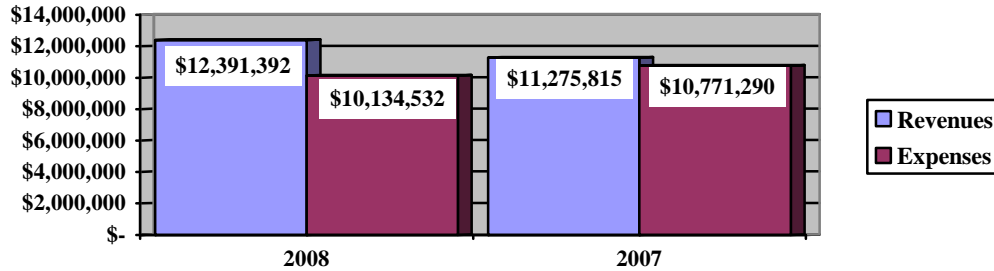
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 78.96% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

Governmental Activities - Revenues and Expenses



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.

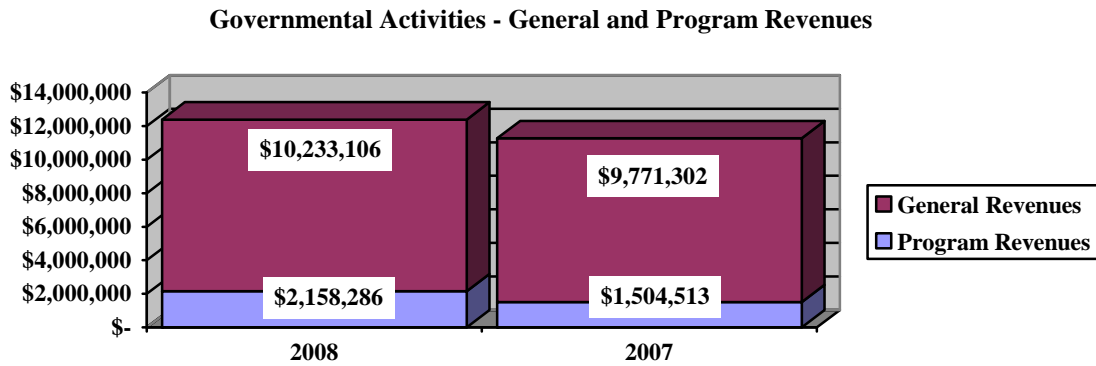
	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
Program expenses				
Instruction:				
Regular	\$ 4,638,262	\$ 4,278,136	\$ 4,837,125	\$ 4,578,447
Special	1,189,984	229,430	870,604	620,646
Vocational	25,577	21,269	149,252	119,101
Other	297,036	297,036	164,888	164,888
Support services:				
Pupil	186,052	176,755	263,666	263,666
Instructional staff	270,378	244,562	430,332	389,276
Board of education	27,654	27,654	59,144	59,144
Administration	828,529	828,527	956,210	949,085
Fiscal	274,139	273,108	284,086	281,529
Operations and maintenance	839,821	821,585	1,055,183	1,032,194
Pupil transportation	402,894	375,183	501,668	450,743
Central	142,197	142,197	139,550	109,894
Operations of non-instructional services:				
Food service operations	470,630	(10,034)	488,615	(12,112)
Other non-operating services	76,879	20,911	111,166	4,339
Extracurricular activities	<u>464,500</u>	<u>249,927</u>	<u>459,801</u>	<u>255,937</u>
Total expenses	<u>\$ 10,134,532</u>	<u>\$ 7,976,246</u>	<u>\$ 10,771,290</u>	<u>\$ 9,266,777</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 78.46% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.70%. 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 2008 and 2007.



The District's Funds

The District's governmental funds (as presented on the Governmental Funds Balance Sheet on page 15) reported a combined fund balance of \$2,498,919, which is more than last year's total of \$874,539. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	<u>Fund Balance June 30, 2008</u>	<u>Fund Balance June 30, 2007</u>	<u>Increase (Decrease)</u>
General	\$ 1,740,244	\$ 59,870	\$ 1,680,374
Other Governmental	<u>758,675</u>	<u>814,669</u>	<u>(55,994)</u>
Total	<u>\$ 2,498,919</u>	<u>\$ 874,539</u>	<u>\$ 1,624,380</u>

General Fund

The District's general fund's fund balance increased by \$1,680,374. 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, 2008
(UNAUDITED)

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 4,162,931	\$ 3,551,709	17.21 %
Income taxes	272,853	-	100.00 %
Earnings on investments	125,111	135,395	(7.60) %
Intergovernmental	5,645,898	5,573,888	1.29 %
Other revenues	<u>21,672</u>	<u>18,828</u>	15.11 %
Total	<u>\$ 10,228,465</u>	<u>\$ 9,279,820</u>	10.22 %
<u>Expenditures</u>			
Instruction	\$ 5,586,517	\$ 5,281,236	5.78 %
Support services	3,227,501	3,559,323	(9.32) %
Extracurricular activities	<u>240,202</u>	<u>227,913</u>	5.39 %
Total	<u>\$ 9,054,220</u>	<u>\$ 9,068,472</u>	(0.16) %

The increase in tax revenue is due to an increase in the assessed valuation of taxable property within the District's boundaries. The decrease in earnings on investments is due primarily to the decrease in interest rates by the Federal Reserve Bank. There were not significant changes to the expenditures between years.

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 2008, the District did not amend its estimated resources for the general fund. For the general fund, final budgeted revenues and other financing sources were \$10,217,000, which was the same as the original budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal 2008 were \$10,413,414. This represents a \$196,414 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$10,019,151 were decreased to \$9,973,712 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$9,381,787, which was \$591,925 less than the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$3,169,232 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 2008 and 2007 balances:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

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

	2008	2007
Land	\$ 1,098,217	\$ 1,098,217
Land improvements	125,784	104,699
Building and improvements	1,214,775	1,254,069
Equipment and furniture	203,693	229,182
Vehicles	470,738	314,414
Library books	56,025	86,868
Total	\$ 3,169,232	\$ 3,087,449

The overall increase in capital assets of \$81,783 is primarily due to capital asset additions of \$316,138 being greater than the \$234,355 in depreciation expense for fiscal 2008.

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

Debt Administration

At June 30, 2008, the District had no long-term debt.

See Note 9 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 District spends 23.8% 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 income tax of one percent of earned income in 2007 for a five year term which started collection in 2008. The District received 57.1% 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 0.2%.

The District experienced continued improvement in student achievement in fiscal year 2008. This improvement was demonstrated by the "excellent" designation of our District on the Ohio Department of Education district report card due to the achievement of 29 out of 30 indicators. The District was able to provide the services necessary to obtain the student achievement while spending \$2,335 less than the average Ohio school district and \$1,576 less than the average for schools within Wayne County.

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 88.6% of the total. Those values experienced a 6.9% increase for 2008 with total values increasing 5.8% from the prior year. Valuation per pupil remains below the county and state averages by 10.1% and 26.2%, respectively. The effective amount of mills levied against residential and agricultural properties in 2008 was 22.66.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

The District has also experienced little increase in state funding through the state foundation program. The increase for fiscal year 2008 was one half of 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 had forced the District to deal with a deficit projected for the 2007/2008 fiscal year which was addressed through both staffing cuts and the proposed income tax. While the collection of income tax has been slow, it is hoped that the new tax instrument will provide both stability and a chance for economic growth.

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 Street, Doylestown, Ohio, 44230-1398.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,211,639
Cash with fiscal agent.	1,329,930
Receivables:	
Taxes	4,640,436
Income taxes	207,208
Accounts	27
Intergovernmental	206,109
Prepayments	23,738
Materials and supplies inventory	7,583
Capital assets:	
Land	1,098,217
Depreciable capital assets, net	2,071,015
Capital assets, net	<u>3,169,232</u>
Total assets.	<u>12,795,902</u>
Liabilities:	
Accounts payable.	26,269
Accrued wages and benefits	902,845
Pension obligation payable.	233,403
Intergovernmental payable	33,944
Claims payable.	197,734
Unearned revenue	4,324,600
Long-term liabilities:	
Due within one year.	46,340
Due in more than one year	<u>458,185</u>
Total liabilities	<u>6,223,320</u>
Net Assets:	
Invested in capital assets	3,169,232
Restricted for:	
Capital projects	222,098
Student activities	32,458
State funded programs.	162,852
Federally funded programs	410,014
Other purposes.	246,557
Unrestricted.	<u>2,329,371</u>
Total net assets	<u>\$ 6,572,582</u>

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, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 4,638,262	\$ 107,358	\$ 226,668	\$ 26,100	\$ (4,278,136)
Special	1,189,984	-	960,554	-	(229,430)
Vocational	25,577	-	4,308	-	(21,269)
Other	297,036	-	-	-	(297,036)
Support services:					
Pupil.	186,052	-	9,297	-	(176,755)
Instructional staff	270,378	3,608	22,208	-	(244,562)
Board of education	27,654	-	-	-	(27,654)
Administration.	828,529	1	1	-	(828,527)
Fiscal.	274,139	-	-	1,031	(273,108)
Operations and maintenance	839,821	9,558	670	8,008	(821,585)
Pupil transportation.	402,894	-	25,460	2,251	(375,183)
Central	142,197	-	-	-	(142,197)
Operation of non-instructional services:					
Food service operations	470,630	335,348	145,316	-	10,034
Other non-instructional services	76,879	484	55,484	-	(20,911)
Extracurricular activities.	464,500	214,573	-	-	(249,927)
Total governmental activities	<u>\$ 10,134,532</u>	<u>\$ 670,930</u>	<u>\$ 1,449,966</u>	<u>\$ 37,390</u>	<u>(7,976,246)</u>

General Revenues:

Property taxes levied for:	
General purposes	4,147,080
Capital projects	269,285
School district income taxes	272,853
Grants and entitlements not restricted	
to specific programs.	5,368,140
Investment earnings	163,185
Miscellaneous	12,563
Total general revenues.	<u>10,233,106</u>
Change in net assets	2,256,860
Net assets at beginning of year.	<u>4,315,722</u>
Net assets at end of year	<u>\$ 6,572,582</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,040,331	\$ 924,751	\$ 2,965,082
Receivables:			
Taxes	4,372,009	268,427	4,640,436
Income taxes	207,208	-	207,208
Accounts	27	-	27
Intergovernmental	2,748	203,361	206,109
Interfund receivable	51,631	-	51,631
Prepayments	23,738	-	23,738
Materials and supplies inventory	-	7,583	7,583
Restricted assets:			
Equity in pooled cash and cash equivalents	246,557	-	246,557
Total assets	<u>\$ 6,944,249</u>	<u>\$ 1,404,122</u>	<u>\$ 8,348,371</u>
Liabilities:			
Accounts payable	\$ 14,596	\$ 11,673	\$ 26,269
Accrued wages and benefits	808,409	94,436	902,845
Compensated absences payable	17,563	-	17,563
Pension obligation payable	206,316	27,087	233,403
Intergovernmental payable	30,084	3,860	33,944
Interfund payable	-	51,631	51,631
Deferred revenue	52,609	206,588	259,197
Unearned revenue	4,074,428	250,172	4,324,600
Total liabilities	<u>5,204,005</u>	<u>645,447</u>	<u>5,849,452</u>
Fund Balances:			
Reserved for encumbrances	164,531	168,501	333,032
Reserved for materials and supplies inventory	-	7,583	7,583
Reserved for prepayments	23,738	-	23,738
Reserved for property tax unavailable for appropriation	244,972	15,028	260,000
Reserved for BWC refunds	43,205	-	43,205
Reserved for instructional materials	203,352	-	203,352
Unreserved:			
Designation for budget stabilization	150,386	-	150,386
Undesignated, reported in:			
General fund	910,060	-	910,060
Special revenue funds	-	487,348	487,348
Capital projects funds	-	80,215	80,215
Total fund balances	<u>1,740,244</u>	<u>758,675</u>	<u>2,498,919</u>
Total liabilities and fund balances	<u>\$ 6,944,249</u>	<u>\$ 1,404,122</u>	<u>\$ 8,348,371</u>

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, 2008

Total governmental fund balances		\$	2,498,919
<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.			3,169,232
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	55,836	
Intergovernmental revenue		203,361	
Total			259,197
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.			1,132,196
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.			(486,962)
Net assets of governmental activities		\$	6,572,582

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, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 4,162,931	\$ 278,513	\$ 4,441,444
Income taxes	272,853	-	272,853
Charges for services.	-	335,348	335,348
Earnings on investments.	125,111	-	125,111
Extracurricular.	-	214,573	214,573
Classroom materials and fees	-	111,560	111,560
Other local revenues.	21,672	340	22,012
Intergovernmental - Intermediate.	8,569	-	8,569
Intergovernmental - State.	5,637,329	241,031	5,878,360
Intergovernmental - Federal	-	925,718	925,718
Total revenue	<u>10,228,465</u>	<u>2,107,083</u>	<u>12,335,548</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,504,709	334,872	4,839,581
Special.	750,773	459,262	1,210,035
Vocational.	33,999	-	33,999
Other.	297,036	-	297,036
Support services:			
Pupil.	198,153	12,996	211,149
Instructional staff	257,092	27,347	284,439
Board of education	27,654	-	27,654
Administration.	871,416	1	871,417
Fiscal	281,562	3,132	284,694
Operations and maintenance.	901,879	25,113	926,992
Pupil transportation	547,548	-	547,548
Central.	142,197	-	142,197
Operation of non-instructional services:			
Food service operations	-	494,394	494,394
Other non-instructional services.	-	76,879	76,879
Extracurricular activities.	240,202	222,952	463,154
Total expenditures	<u>9,054,220</u>	<u>1,656,948</u>	<u>10,711,168</u>
Excess of revenues over (under) expenditures.	<u>1,174,245</u>	<u>450,135</u>	<u>1,624,380</u>
Other financing sources (uses):			
Transfers in	506,129	-	506,129
Transfers (out).	-	(506,129)	(506,129)
Total other financing sources (uses)	<u>506,129</u>	<u>(506,129)</u>	<u>-</u>
Net change in fund balances	1,680,374	(55,994)	1,624,380
Fund balances at beginning of year	<u>59,870</u>	<u>814,669</u>	<u>874,539</u>
Fund balances at end of year.	<u>\$ 1,740,244</u>	<u>\$ 758,675</u>	<u>\$ 2,498,919</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, 2008

Net change in fund balances - total governmental funds	\$	1,624,380
 <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 capital outlays exceed depreciation expense in the current period.		
Capital asset additions	\$ 316,138	
Current year depreciation	<u>(234,355)</u>	
Total		81,783
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		17,770
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(25,042)
 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.		
		<u>557,969</u>
Change in net assets of governmental activities	\$	<u><u>2,256,860</u></u>

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, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 3,975,218	\$ 3,975,218	\$ 4,051,639	\$ 76,421
Income taxes	64,407	64,407	65,645	1,238
Earnings on investments	122,751	122,751	125,111	2,360
Other local revenues	21,183	21,183	21,590	407
Intergovernmental - Intermediate	8,407	8,407	8,569	162
Intergovernmental - State	5,528,304	5,528,304	5,634,581	106,277
Total revenue	<u>9,720,270</u>	<u>9,720,270</u>	<u>9,907,135</u>	<u>186,865</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,640,904	4,619,856	4,539,739	80,117
Special	777,979	774,451	720,352	54,099
Vocational	104,092	103,620	52,841	50,779
Other	308,966	307,565	306,079	1,486
Support services:				
Pupil	276,787	275,532	214,982	60,550
Instructional staff	351,278	349,685	272,104	77,581
Board of education	36,975	36,807	21,608	15,199
Administration	928,641	924,429	877,030	47,399
Fiscal	337,021	335,493	290,799	44,694
Operations and maintenance	1,032,547	1,027,864	973,344	54,520
Pupil transportation	761,911	758,456	675,159	83,297
Central	146,068	145,406	145,399	7
Extracurricular activities	244,515	243,406	240,720	2,686
Total expenditures	<u>9,947,684</u>	<u>9,902,570</u>	<u>9,330,156</u>	<u>572,414</u>
Excess of revenues over expenditures	<u>(227,414)</u>	<u>(182,300)</u>	<u>576,979</u>	<u>759,279</u>
Other financing sources (uses):				
Transfers in	496,583	496,583	506,129	9,546
Transfers (out)	(16,216)	(16,142)	-	16,142
Advances (out)	(55,251)	(55,000)	(51,631)	3,369
Sale of capital assets	147	147	150	3
Total other financing sources (uses)	<u>425,263</u>	<u>425,588</u>	<u>454,648</u>	<u>29,060</u>
Net change in fund balance	197,849	243,288	1,031,627	788,339
Fund balance at beginning of year	813,944	813,944	813,944	-
Prior year encumbrances appropriated	261,151	261,151	261,151	-
Fund balance at end of year	<u>\$ 1,272,944</u>	<u>\$ 1,318,383</u>	<u>\$ 2,106,722</u>	<u>\$ 788,339</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent	\$ 1,329,930
Total assets	1,329,930
Liabilities:	
Current liabilities:	
Claims payable	197,734
Total liabilities	197,734
Net assets:	
Unrestricted.	1,132,196
Total net assets	\$ 1,132,196

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, 2008

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 1,572,996
Other.	57,993
Total operating revenues	1,630,989
 Operating expenses:	
Personal services.	9,512
Purchased services.	321,608
Claims	779,393
Other.	581
Total operating expenses	1,111,094
 Operating income.	519,895
 Nonoperating revenues:	
Interest revenue	38,074
Total nonoperating revenues	38,074
 Change in net assets	557,969
 Net assets at beginning of year	574,227
Net assets at end of year.	\$ 1,132,196

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, 2008

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services.	\$ 1,572,996
Cash received from other operations.	57,993
Cash payments for personal services	(9,512)
Cash payments for purchased services	(321,608)
Cash payments for claims.	(740,101)
Cash payments for other expenses	(581)
	559,187
Net cash provided by operating activities	559,187
Cash flows from investing activities:	
Interest received	38,074
	38,074
Net cash provided by investing activities	38,074
Net increase in cash and cash equivalents.	597,261
Cash and cash equivalents at beginning of year	732,669
Cash and cash equivalents at end of year	\$ 1,329,930
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 519,895
Changes in assets and liabilities:	
Increase in claims payable.	39,292
	39,292
Net cash provided by operating activities.	\$ 559,187

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 5,007	\$ 24,420
Total assets.	5,007	\$ 24,420
Liabilities:		
Accounts payable.	-	\$ 260
Due to other governments	-	8,603
Due to students	-	15,557
Total liabilities	-	\$ 24,420
Net Assets:		
Held in trust for scholarships	5,007	
Total net assets	\$ 5,007	

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, 2008

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 458
Total additions.	458
Reductions:	
Scholarships awarded	1,119
Change in net assets	(661)
Net assets at beginning of year.	5,668
Net assets at end of year	\$ 5,007

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, 2008**

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 367th largest in terms of total enrollment among the 896 public school districts in the State. The District is staffed by 88 certified full-time teaching personnel and 49 classified employees who provide services to 1,462 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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Midland Council of Governments

The District is a member of the Midland Council of Governments (the "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 (the "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 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 Program

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

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 are the District's major governmental funds:

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) food service operations and uniform school supplies operations; 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, 2008

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, 2008

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 Governmental Funds 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 services. Operating expenses for internal service funds include claims 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, 2008

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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue in the fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement 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. Allocations 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 2008 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, 2008**

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. On or before 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 of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources 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 original and final Amended Official Certificates of Estimated Resources issued for fiscal year 2008.
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 levels 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, 2008; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and 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, 2008

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 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). 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, 2008.

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, the internal service fund, and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$125,111, which includes \$50,668 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, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded 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, 2008

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 2008, the District maintained a capitalization threshold of \$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.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave 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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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, instructional materials, 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 equity has also 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

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 Governmental Funds 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 for BWC refunds, and to establish an instructional materials 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 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 3,775
Auxiliary services	14,829
Title I disadvantaged children	193

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.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify 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 that 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was a deficit of \$(61,016), exclusive of the \$206,424 repurchase agreement included below in investments. A liability is not reported for the negative carrying amount of deposits because there was no actual overdraft, due to the “minimum-balance” nature of the District’s bank accounts. The negative carrying amount of deposits is primarily due to the “sweeping” of money into an overnight repurchase agreement, which is reported as an investment. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, \$100,000 of the District’s bank balance of \$100,905 was covered by the Federal Deposit Insurance Corporation, while \$905 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Cash with Fiscal Agent

At fiscal year-end, the District had a cash balance with the Ohio Mid-Eastern Regional Education Service Agency Self-Funded Insurance Program (the “Program”) of \$1,329,930. The balance is covered by federal depository insurance or by collateral held by a qualified third-party trustee in the name of the Program’s fiscal agent. This amount is not part of the internal cash pool and is reported on the financial statements as “cash with fiscal agent”.

C. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 3,095,658	\$ 3,095,658
Repurchase agreement	206,424	206,424
	<u>\$ 3,302,082</u>	<u>\$ 3,302,082</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 3,095,658	93.75
Repurchase agreement	<u>206,424</u>	<u>6.25</u>
	<u>\$ 3,302,082</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the Statement of Net Assets as of June 30, 2008:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ (61,016)
Cash with fiscal agent	1,329,930
Investments	<u>3,302,082</u>
Total	<u>\$ 4,570,996</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 4,541,569
Private purpose trust	5,007
Agency	<u>24,420</u>
Total	<u>\$ 4,570,996</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2008 consisted of the following interfund loans receivable and payable, as reported on the fund financial statements:

<u>Interfund loans receivable in the general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 51,631

The primary purpose of these interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B. Interfund transfers for the fiscal year ended June 30, 2008 consisted of the following transfers, as reported in the fund financial statements:

<u>Transfers to general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 506,129

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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.

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 year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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, 2008, are available to finance fiscal year 2008 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, 2008 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 unearned revenue.

The amounts available as an advance at June 30, 2008 were \$244,972 in the general fund and \$15,028 in the permanent improvement capital projects fund (a nonmajor governmental fund). These amounts have been recorded as revenue. The amounts available as an advance at June 30, 2007 were \$133,680 in the general fund and \$24,320 in the permanent improvement capital projects 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 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility/minerals real estate	\$ 152,899,890	86.90	\$ 155,733,220	87.89
Commercial/industrial real estate	10,301,770	6.07	10,321,820	5.82
Public utility tangible property	7,515,870	4.52	6,239,640	3.52
General tangible property	<u>5,485,940</u>	<u>2.51</u>	<u>4,909,600</u>	<u>2.77</u>
Total	<u>\$ 176,203,470</u>	<u>100.00</u>	<u>\$ 177,204,280</u>	<u>100.00</u>
Tax rates per \$1,000 of assessed value:				
General operations	\$ 41.10		\$ 41.10	
Permanent improvement	1.90		1.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), and grants (reported as "intergovernmental"). 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7 - RECEIVABLES - (Continued)

Governmental activities:

Property taxes	\$ 4,640,436
Income taxes	207,208
Accounts	27
Intergovernmental	<u>206,109</u>
Total	<u>\$ 5,053,780</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

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	<u>Balance 06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/08</u>
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,098,217	\$ -	\$ -	\$ 1,098,217
Total capital assets, not being depreciated	<u>1,098,217</u>	<u>-</u>	<u>-</u>	<u>1,098,217</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	590,060	49,280	-	639,340
Buildings and improvements	4,859,071	37,118	-	4,896,189
Equipment and furniture	1,318,308	17,496	-	1,335,804
Vehicles	1,149,303	212,244	-	1,361,547
Library books	<u>616,859</u>	<u>-</u>	<u>-</u>	<u>616,859</u>
Total capital assets, being depreciated	<u>8,533,601</u>	<u>316,138</u>	<u>-</u>	<u>8,849,739</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(485,361)	(28,195)	-	(513,556)
Buildings and improvements	(3,605,002)	(76,412)	-	(3,681,414)
Equipment and furniture	(1,089,126)	(42,985)	-	(1,132,111)
Vehicles	(834,889)	(55,920)	-	(890,809)
Library books	<u>(529,991)</u>	<u>(30,843)</u>	<u>-</u>	<u>(560,834)</u>
Total accumulated depreciation	<u>(6,544,369)</u>	<u>(234,355)</u>	<u>-</u>	<u>(6,778,724)</u>
Governmental activities capital assets, net	<u>\$ 3,087,449</u>	<u>\$ 81,783</u>	<u>\$ -</u>	<u>\$ 3,169,232</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 110,380
Special	955
<u>Support services:</u>	
Instructional staff	31,467
Administration	1,436
Operations and maintenance	33,064
Pupil transportation	52,223
Extracurricular activities	1,346
Food service operations	3,484
Total depreciation expense	<u>\$ 234,355</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2008, the following changes occurred to the long-term obligations of governmental activities:

<u>Governmental activities</u>	<u>Balance at</u> <u>06/30/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>06/30/08</u>	<u>Amount Due</u> <u>In One Year</u>
<u>Other long-term obligations</u>					
Compensated absences	\$ 509,282	\$ 52,256	\$ (57,013)	\$ 504,525	\$ 46,340
Total other long-term obligations	<u>509,282</u>	<u>52,256</u>	<u>(57,013)</u>	<u>504,525</u>	<u>46,340</u>
Total governmental activities	<u>\$ 509,282</u>	<u>\$ 52,256</u>	<u>\$ (57,013)</u>	<u>\$ 504,525</u>	<u>\$ 46,340</u>

Compensated absences will be paid out of the fund from which the employee is paid, usually the General fund.

B. Legal Debt Margins

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The effects of these debt limitations at June 30, 2008 are a legal voted debt margin of \$14,944,954, a legal unvoted debt margin of \$166,055, and a legal energy conservation debt margin of \$1,494,495.

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 278 days for certified personnel and 248 days for classified personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 66 days for certified employees and 60 days for classified employees.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District contracted with Harcum - Hyre Insurance Company for general liability insurance, property insurance, and boiler coverage. Liability coverage is limited to \$5,000,000 per claim and the boiler and property insurance carries a limitation of \$36,348,915 in the aggregate with a \$5,000 deductible.

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

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

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 \$197,734 reported in the internal service fund at June 30, 2008 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - RISK MANAGEMENT - (Continued)

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2008	\$ 158,442	\$ 779,393	\$ (740,101)	\$ 197,734
2007	103,916	842,509	(787,983)	158,442

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.

C. Workers' Compensation

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (the "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 ensures 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 - PENSION PLANS

A. School Employees Retirement System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$110,841, \$127,197, and \$146,043, respectively; 42.91 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$616,980, \$624,116, and \$740,584, respectively; 82.27 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$8,504 made by the District, and \$19,670 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, 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

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$76,631, \$61,670, and \$70,797, respectively; 42.91 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$7,986, \$8,649, and \$15,396, respectively; 42.91 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$47,460, \$48,009, and \$52,899, respectively; 82.27 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

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 Revenues, 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); and,
- (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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 1,031,627
Net adjustment for revenue accruals	321,330
Net adjustment for expenditure accruals	95,770
Net adjustment for other financing sources/uses	51,481
Adjustment for encumbrances	180,166
GAAP basis	\$ 1,680,374

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 indeterminable at this time.

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, 2008, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>BWC Refunds</u>	<u>Budget Stabilization</u>
Set-aside balance at June 30, 2007	\$ 209,282	\$ (653,545)	\$ 43,205	\$ 150,386
Current year set-aside requirement	228,693	228,693	-	-
Current year offsets	-	(169,848)	-	-
Current year qualifying expenditures	(234,623)	(332,551)	-	-
Set-aside balance at June 30, 2008	\$ 203,352	\$ (927,251)	\$ 43,205	\$ 150,386
Balance carried forward to FY2009	\$ 203,352	\$ (424,852)	\$ 43,205	\$ 150,386

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 instructional materials reserve and capital maintenance reserve. Further, via Board Resolution, the District has elected to maintain its budget stabilization amount at June 30, 2008.

The District had offsets and qualifying expenditures during the year that reduced the set-aside amount below zero for the capital maintenance reserve, and a portion of this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2008 follows:

Amount restricted for instructional materials	\$ 203,352
Amount restricted for BWC refunds	<u>43,205</u>
Total restricted assets	<u><u>\$ 246,557</u></u>

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program				
Cash Assistance	LLP4-2008	10.555	118,127	118,127
Non-Cash Assistance (Food Distribution)	N/A	10.555	21,645	21,645
National School Lunch Program Subtotal			139,772	139,772
Total for Program (Cluster)			139,772	139,772
<i>Cash Assistance Subtotal</i>			118,127	
<i>Non-Cash Assistance (Food Distribution) Subtotal</i>			21,645	
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	C1-S1 2006	84.010	10,014	-
	C1-S1 2007		49,448	53,400
	C1-S1 2008		124,265	108,056
Total Title I Grants to Local Educational Agencies			183,727	161,456
Special Education Grants to States	6B-6BSF 2006	84.027	128,549	128,549
	6B-6BSF 2007		95,322	96,937
	6B-6BSF 2008		295,265	67,687
Total Title VI Grants to Local Educational Agencies			519,136	293,173
Drug Free School Grant	DR-S1 2004	84.186	-	3,912
	DR-S1 2005			2,809
	DR-S1 2006		4,562	-
	DR-S1 2007		1,055	566
	DR-S1 2008		2,197	900
Total Drug Free School Grant			7,814	8,187
Title V Grant	C2-S1 2006	84.298	1,580	-
	C2-S1 2007		1,140	-
	C2-S1 2008		1,453	-
Total Title V Grant			4,173	-
Title II-D Grant	TJ-S1 2006	84.318	196	-
	TJ-S1 2007		250	-
	TJ-S1 2008		897	-
Total Title II-D Grant			1,343	-
Title II-A Grant	TR-S1-2006	84.367	12,381	12,997
	TR-S1-2007		13,297	14,825
	TR-S1-2008		41,715	14,676
Total Title II-A Grant			67,393	42,498
Total Department of Education			783,586	505,314
Total Federal Receipts and Expenditures			923,358	645,086

The accompanying notes to this schedule are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2008**

Note A – Significant Accounting Policies

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

Note B – Food Donation

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Note C – National School Lunch Program

Cash receipts from the U.S. Department of Agriculture are commingled with State grants and local receipts. It is assumed federal monies are expended first.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

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

March 31, 2009

Chippewa Local School District
Wayne County
57 N. Portage St
Doylestown, Ohio 44230

To the Board of Education:

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the **Chippewa Local School District, Wayne County, Ohio** (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report dated March 31, 2009. 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 the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control Over Financial Reporting (continued)

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2008-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We also noted certain matters that we reported to the School District's management in a separate letter dated March 31, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item: 2008-001.

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

This report is intended solely for the information and use of the audit committee, management, and the District's Board of Education. It is not intended for anyone other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

Perry & Associates
Certified Public Accountants, A.C.

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

March 31, 2009

Chippewa Local School District
Wayne County
56 N. Portage Street
Doylestown, Ohio 44230

To the Board of Education:

Compliance

We have audited the compliance of **Chippewa Local School District, Wayne County, Ohio** (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal programs. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management 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 District's internal control over compliance with requirements that could directly and materially affect a major federal programs 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with federal programs compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to administer a federal programs such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-consequential noncompliance with a federal programs compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with federal programs' compliance requirements.

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

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.010: Title I Grants to Local Educational Agencies CFDA # 84.027: Title VI Grants to Local Educational Agencies
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001

Noncompliance Citation/Significant Deficiency

Ohio Revised Code § 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>Funds</u>	<u>Deficit</u>
Public School Support	13,014
District Managed Activity	26,537
Auxiliary Services	94,222
Teacher Development	8,614
Management Information Systems	1,374
Public School Preschool	30,839
Ohio Reads	76
Student Intervention	16,567
Title VI-B	172,627
Title I	90,029
Drug Free Schools	9,187
Teacher Quality Improvement	39,481
SchoolNet Projects	672
Food Services	10,271
Early Childhood	712
Rotary	3,743
Student Managed Activities	15,693

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.

Management's Response – The Treasurer will attempt to monitor the budget on a continual basis and modify the budget accordingly.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC Section 5705.39 – Total appropriations from each fund should not exceed estimated resources.	No	Not Corrected, Repeated as finding 2008-001.



Mary Taylor, CPA
Auditor of State

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
MAY 19, 2009