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Certified Public Accountants, A.C.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
Single Audit  
For the Year Ended June 30, 2015**

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- Association of Certified Anti - Money Laundering Specialists •





# Dave Yost • Auditor of State

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

We have reviewed the Independent Auditor's Report of the Chippewa Local School District, Wayne County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 13, 2016

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

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CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY, OHIO

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## INDEPENDENT AUDITOR'S REPORT

January 29, 2016

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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



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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Chippewa Local School District, Wayne County, Ohio, as of June 30, 2015, and the respective changes in its financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General and IDEA Part B funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the Government adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

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

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



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(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, 2015. 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 fiscal year 2015 are as follows:

- In total, net position of governmental activities increased \$1,286,440, which represents a 22.69% increase from fiscal year 2014 as restated in Note 3.A.
- General revenues accounted for \$11,988,054 or 83.31% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$2,401,999 or 16.69% of total revenues of \$14,390,053.
- The District had \$13,103,613 in expenses related to governmental activities; \$2,401,999 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,988,054 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the IDEA Part B fund. The general fund had \$12,785,112 in revenues and \$11,878,409 in expenditures and other financing uses. During fiscal year 2015, the general fund's fund balance increased \$906,703 from a balance of \$6,571,317 to \$7,478,020.
- The District's other major governmental fund is the IDEA Part B fund. The IDEA Part B fund had \$322,046 in revenues and other financing sources and \$584,095 in expenditures. During fiscal year 2015, the IDEA Part B's fund deficit decreased \$262,049 from a deficit of (\$382,492) to a deficit of (\$644,541).

**Using these Basic Financial Statements**

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 position* 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 and the IDEA Part B fund are by far the most significant funds.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position 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 fiscal year 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in that position. This change in net position 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 position 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 position and statement of activities can be found on pages 16-17 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 13. 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 funds are the general fund and the IDEA Part B 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 position 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 18-23 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 24-26 of this report.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(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 position and changes in fiduciary net position on pages 27-28. 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 29-62 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 63 through 69 of this report.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

**The District as a Whole**

The table below provides a summary of the District's net position at June 30, 2015 and June 30, 2014 as restated in Note 3.A.

	<b>Net Position</b>	
	Governmental	Restated
	Activities 2015	Governmental Activities 2014
<b><u>Assets</u></b>		
Current and other assets	\$ 16,557,692	\$ 15,318,884
Capital assets, net	<u>2,614,090</u>	<u>2,555,672</u>
Total assets	<u>19,171,782</u>	<u>17,874,556</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	<u>1,140,539</u>	<u>934,539</u>
Total deferred outflows of resources	<u>1,140,539</u>	<u>934,539</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,485,884	1,403,749
Long-term liabilities:		
Due within one year	93,774	124,501
Due in more than one year:		
Net pension liability	15,833,183	18,815,074
Other amounts	<u>517,257</u>	<u>466,312</u>
Total liabilities	<u>17,930,098</u>	<u>20,809,636</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for the next fiscal year	3,900,944	3,670,246
Pensions	<u>2,865,626</u>	<u>-</u>
Total deferred inflows of resources	<u>6,766,570</u>	<u>3,670,246</u>
<b><u>Net Position</u></b>		
Investment in capital assets	2,614,090	2,555,672
Restricted	1,144,034	914,596
Unrestricted (deficit)	<u>(8,142,471)</u>	<u>(9,141,055)</u>
Total net position (deficit)	<u>\$ (4,384,347)</u>	<u>\$ (5,670,787)</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$12,209,748 to (\$5,670,787).

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

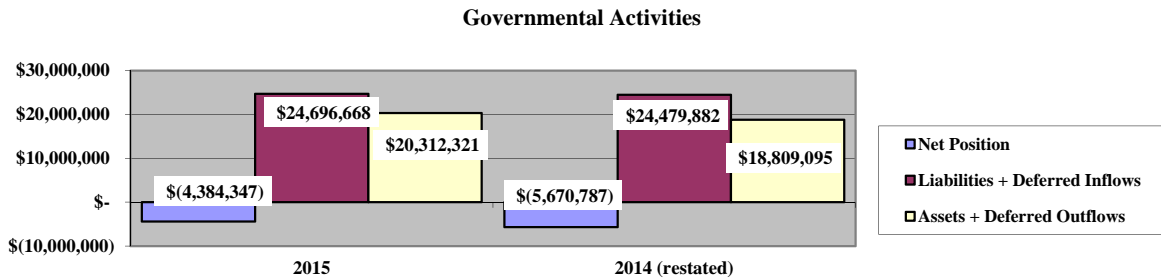
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$4,384,347. At year-end, unrestricted net position was a deficit of \$8,142,471, which is a result of the implementation of GASB No. 68.

At year-end, capital assets represented 13.64% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and furniture, vehicles, library books and construction in progress. At June 30, 2015, the amount invested in capital assets, was \$2,614,090. 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 position, \$1,144,034, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is (\$8,142,471).

The graph below illustrates the District's assets, liabilities and deferred inflows, and net position at June 30, 2015 and June 30, 2014. The amounts at June 30, 2014 have been restated as described in Note 3.A.



The table below shows the change in net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

	<b>Change in Net Position</b>	
	Governmental Activities 2015	Restated Governmental Activities 2014
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,114,681	\$ 1,077,528
Operating grants and contributions	1,287,318	1,300,759
General revenues:		
Property taxes	4,570,559	4,051,581
School district income taxes	1,898,644	1,888,995
Grants and entitlements	5,439,894	5,516,196
Investment earnings	31,291	15,734
Other	47,666	33,299
<b>Total revenues</b>	<b>14,390,053</b>	<b>13,884,092</b>

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<b>Change in Net Position</b>	
	Governmental	Restated
	Activities	Governmental
	<u>2015</u>	<u>2014</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,696,136	\$ 5,864,050
Special	1,188,058	1,186,437
Vocational	3,597	6,806
Other	734,724	864,737
Support services:		
Pupil	326,010	220,497
Instructional staff	436,916	397,589
Board of education	37,411	37,000
Administration	1,336,058	1,134,577
Fiscal	420,467	374,931
Operations and maintenance	1,063,826	1,029,223
Pupil transportation	628,972	713,839
Central	171,421	129,680
Operations of non-instructional services:		
Food service operations	482,983	471,509
Other non-instructional services	93,077	86,547
Extracurricular activities	<u>483,957</u>	<u>532,368</u>
Total expenses	<u>13,103,613</u>	<u>13,049,790</u>
Change in net position	1,286,440	834,302
Net position at beginning of year	<u>(5,670,787)</u>	<u>N/A</u>
Net position at end of year	<u>\$ (4,384,347)</u>	<u>\$ (5,670,787)</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$934,539 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$668,970.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 13,103,613
Pension expense under GASB 68	(668,970)
2015 contractually required contributions	<u>991,235</u>
Adjusted 2015 program expenses	13,425,878
Total 2014 program expenses under GASB 27	<u>13,049,790</u>
Increase (decrease) in program expenses not related to pension	<u>\$ 376,088</u>



**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

**Governmental Activities**

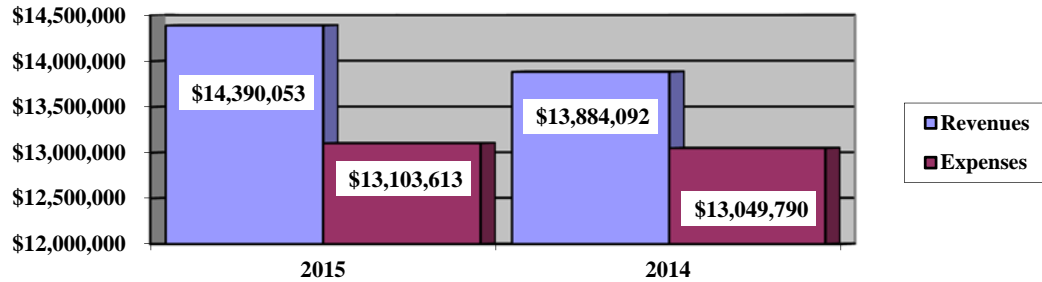
Net position of the District's governmental activities increased \$1,286,440. Total governmental expenses of \$13,103,613 were offset by program revenues of \$2,401,999 and general revenues of \$11,988,054. Program revenues supported 18.33% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 82.76% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,622,515 or 58.17% of total governmental expenses for fiscal year 2015.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2015 and 2014.

**Governmental Activities - Revenues and Expenses**



**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

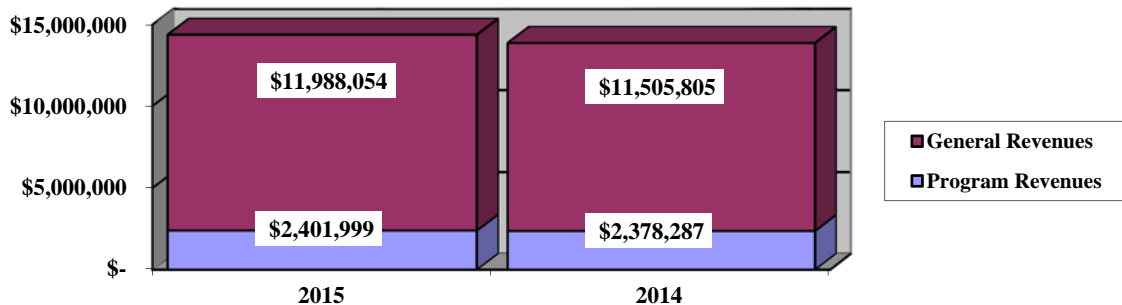
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2015 and 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,696,136	\$ 4,870,719	\$ 5,864,050	\$ 5,560,347
Special	1,188,058	393,161	1,186,437	366,390
Vocational	3,597	(2,145)	6,806	887
Other	734,724	734,724	864,737	407,665
Support services:				
Pupil	326,010	322,263	220,497	217,023
Instructional staff	436,916	412,761	397,589	371,889
Board of education	37,411	37,411	37,000	37,000
Administration	1,336,058	1,336,058	1,134,577	1,134,577
Fiscal	420,467	420,467	374,931	374,931
Operations and maintenance	1,063,826	1,059,884	1,029,223	1,016,374
Pupil transportation	628,972	613,325	713,839	698,821
Central	171,421	171,421	129,680	129,680
Operations of non-instructional services:				
Food service operations	482,983	63,449	471,509	54,843
Other non-instructional services	93,077	15,689	86,547	5,032
Extracurricular activities	483,957	252,427	532,368	296,044
<b>Total expenses</b>	<b>\$ 13,103,613</b>	<b>\$ 10,701,614</b>	<b>\$ 13,049,790</b>	<b>\$ 10,671,503</b>

The dependence upon tax and other general revenues for governmental activities is apparent; 78.67% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.67%. The District's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2015 and 2014.

**Governmental Activities - General and Program Revenues**



**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$7,431,633, which is higher than last year's total balance of \$6,657,102. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and June 30, 2014.

	Fund Balance (Deficit) <u>June 30, 2015</u>	Fund Balance (Deficit) <u>June 30, 2014</u>	<u>Change</u>
General	\$ 7,478,020	\$ 6,571,317	\$ 906,703
IDEA Part B	(644,541)	(382,492)	(262,049)
Other Governmental	<u>598,154</u>	<u>468,277</u>	<u>129,877</u>
Total	<u>\$ 7,431,633</u>	<u>\$ 6,657,102</u>	<u>\$ 774,531</u>

**General Fund**

The District's general fund balance increased \$906,703 in fiscal year 2015.

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

	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>			
Property taxes	\$ 4,291,545	\$ 3,790,370	13.22 %
Income taxes	1,892,881	1,882,264	0.56 %
Tuition	603,805	514,795	17.29 %
Earnings on investments	10,089	8,107	24.45 %
Intergovernmental	5,775,384	5,764,850	0.18 %
Classroom materials and fees	82,969	82,517	- %
Other revenues	<u>128,439</u>	<u>130,361</u>	(1.47) %
Total	<u>\$ 12,785,112</u>	<u>\$ 12,173,264</u>	5.03 %
<b><u>Expenditures</u></b>			
Instruction	\$ 6,920,280	\$ 7,103,360	(2.58) %
Support services	4,390,111	3,919,914	12.00 %
Extracurricular activities	<u>339,018</u>	<u>373,308</u>	(9.19) %
Total	<u>\$ 11,649,409</u>	<u>\$ 11,396,582</u>	2.22 %

Overall revenues of the general fund increased \$611,848 or 5.03%. Property taxes increased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the County Auditors. Tuition revenues increased due to an increase in open enrollment. Earnings on investments increased due to general fluctuations in investments. All other revenue classifications remained comparable to fiscal year 2014.

Overall expenditures of the general fund increased \$252,827 or 2.22%. The increase in support services can be attributed to an increase in administration, pupil, and pupil transportation expenditures

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

***IDEA Part B Fund***

The IDEA Part B fund had \$322,046 in revenues and other financing sources and \$584,095 in expenditures. During fiscal year 2015, the IDEA Part B fund balance decreased from a deficit of \$382,492 to a deficit of \$644,541. This decrease is due to inadequate funding to cover special education expenditures for the fund.

***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.

For the general fund, original and final budgeted revenues and other financing sources were \$11,439,250. Actual revenues and other financing sources for fiscal year 2015 were \$12,616,628. This represents a \$1,177,378 increase over original and final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$12,293,276 were increased to \$12,748,058 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$12,268,146, which was \$479,912 less than the final budgeted amounts.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2015, the District had \$2,614,090 invested in land, land improvements, buildings and improvements, equipment and furniture, vehicles, library books and construction in progress. This entire amount is reported in governmental activities. The following table shows June 30, 2015 balances compared to June 30, 2014 balances.

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 1,098,217	\$ 1,098,217
Land improvements	116,344	114,288
Building and improvements	867,029	941,525
Equipment and furniture	80,348	79,281
Vehicles	<u>452,152</u>	<u>322,361</u>
<b>Total</b>	<b><u>\$ 2,614,090</u></b>	<b><u>\$ 2,555,672</u></b>

The overall increase in capital assets of \$58,418 is due to capital asset additions of \$250,027 exceeding depreciation expense of \$191,609 for fiscal year 2015.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

***Debt Administration***

At June 30, 2015, the District had no long-term debt outstanding.

**Current Financial Related Activities**

The District continues to provide an excellent program to students, parents, and community members while spending less than the average Ohio school district. The District spends 14.37% 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 fiscal year 2008 for a five year term, which was renewed in 2012. While the collection of income tax has been slow and initially below the District's estimate by 6.7%, an increase was experienced in fiscal year 2015 for a total of \$1,898,644 or 29.34% of local revenue. It is hoped that the new tax instrument will provide both stability and a chance for economic growth. The District received approximately 50% of its operating revenue from the State and does rely on the sharing of revenue from both the local taxpayer and the school funding formula. The State share of funding decreased slightly from the prior year by 1.75%.

The District was able to provide the services necessary to obtain excellent student achievement while spending \$1,582 less than the average Ohio school district and \$827 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 83.17% of the total. Those values experienced a 4.77% increase for fiscal year 2014, with total values increasing from the prior year. Valuation per pupil remains below the County and State averages by 10.22% and 24.94%, respectively. The effective amount of mills levied against residential and agricultural properties is close to the State minimum of 20.2 mills.

The District has also experienced a decrease in State funding through the State foundation program. The decrease for fiscal year 2015 was 2.01%.

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 citizens, 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.

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

STATEMENT OF NET POSITION  
JUNE 30, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 7,848,828
Cash with fiscal agent . . . . .	3,057,604
Receivables:	
Property taxes . . . . .	4,235,087
Income taxes. . . . .	762,145
Accrued interest . . . . .	894
Intergovernmental . . . . .	598,982
Prepayments . . . . .	42,838
Materials and supplies inventory. . . . .	3,281
Inventory held for resale. . . . .	8,033
Capital assets:	
Nondepreciable capital assets . . . . .	1,098,217
Depreciable capital assets, net. . . . .	1,515,873
Capital assets, net . . . . .	2,614,090
Total assets. . . . .	19,171,782
 <b>Deferred outflows of resources:</b>	
Pension - STRS . . . . .	909,144
Pension - SERS . . . . .	231,395
Total deferred outflows of resources . . . . .	1,140,539
 <b>Liabilities:</b>	
Accounts payable. . . . .	24,429
Accrued wages and benefits payable . . . . .	1,030,468
Intergovernmental payable . . . . .	64,999
Pension and postemployment benefits payable . . . . .	195,420
Claims payable. . . . .	170,568
Long-term liabilities:	
Due within one year. . . . .	93,774
Due in more than one year:	
Net pension liability (See Note 13) . . . . .	15,833,183
Other amounts due in more than one year . . . . .	517,257
Total liabilities . . . . .	17,930,098
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	3,900,944
Pension - STRS. . . . .	2,411,110
Pension - SERS. . . . .	454,516
Total deferred inflows of resources . . . . .	6,766,570
 <b>Net position:</b>	
Net investment in capital assets . . . . .	2,614,090
Restricted for:	
Capital projects . . . . .	578,043
Student activities . . . . .	34,067
State funded programs. . . . .	9,689
Federally funded programs . . . . .	522,235
Unrestricted (deficit) . . . . .	(8,142,471)
Total net position (deficit). . . . .	\$ (4,384,347)

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, 2015

		<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position Governmental Activities</b>
<b>Expenses</b>		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>		
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,696,136	\$ 697,391	\$ 128,026	\$	(4,870,719)
Special . . . . .	1,188,058	2,374	792,523		(393,161)
Vocational . . . . .	3,597	-	5,742		2,145
Other . . . . .	734,724	-	-		(734,724)
Support services:					
Pupil . . . . .	326,010	-	3,747		(322,263)
Instructional staff . . . . .	436,916	2,775	21,380		(412,761)
Board of education . . . . .	37,411	-	-		(37,411)
Administration . . . . .	1,336,058	-	-		(1,336,058)
Fiscal . . . . .	420,467	-	-		(420,467)
Operations and maintenance . . . . .	1,063,826	3,942	-		(1,059,884)
Pupil transportation . . . . .	628,972	-	15,647		(613,325)
Central . . . . .	171,421	-	-		(171,421)
Operation of non-instructional services:					
Food service operations . . . . .	482,983	176,311	243,223		(63,449)
Other non-instructional services . . . . .	93,077	358	77,030		(15,689)
Extracurricular activities . . . . .	483,957	231,530	-		(252,427)
Total governmental activities . . . . .	\$ 13,103,613	\$ 1,114,681	\$ 1,287,318		(10,701,614)
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					4,287,565
Capital projects . . . . .					282,994
Income taxes levied for:					
General purposes . . . . .					1,898,644
Grants and entitlements not restricted to specific programs . . . . .					5,439,894
Investment earnings . . . . .					31,291
Miscellaneous . . . . .					47,666
Total general revenues . . . . .					11,988,054
Change in net position . . . . .					1,286,440
<b>Net position (deficit) at beginning of year (restated) . . . . .</b>					<b>(5,670,787)</b>
<b>Net position (deficit) at end of year . . . . .</b>				<b>\$</b>	<b>(4,384,347)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General</u>	<u>IDEA Part B</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 7,161,161	\$ 22,666	\$ 665,001	\$ 7,848,828
<b>Receivables:</b>				
Property taxes. . . . .	3,975,249	-	259,838	4,235,087
Income taxes. . . . .	762,145	-	-	762,145
Accrued interest. . . . .	894	-	-	894
Interfund loans. . . . .	286,286	-	-	286,286
Intergovernmental. . . . .	45,049	286,286	267,647	598,982
Prepayments. . . . .	42,838	-	-	42,838
Materials and supplies inventory. . . . .	-	-	3,281	3,281
Inventory held for resale. . . . .	-	-	8,033	8,033
Loans to other funds. . . . .	300,046	-	-	300,046
<b>Total assets</b> . . . . .	<u>12,573,668</u>	<u>308,952</u>	<u>1,203,800</u>	<u>14,086,420</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 21,604	\$ 943	\$ 1,882	\$ 24,429
Accrued wages and benefits payable . . . . .	898,610	67,263	64,595	1,030,468
Compensated absences payable. . . . .	54,502	-	-	54,502
Intergovernmental payable. . . . .	58,600	3,223	3,176	64,999
Pension and postemployment benefits payable . . . . .	162,128	9,946	23,346	195,420
Interfund loans payable. . . . .	-	286,286	-	286,286
Loans from other funds. . . . .	-	299,546	500	300,046
<b>Total liabilities.</b> . . . . .	<u>1,195,444</u>	<u>667,207</u>	<u>93,499</u>	<u>1,956,150</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	3,661,606	-	239,338	3,900,944
Delinquent property tax revenue not available. . . . .	78,981	-	5,162	84,143
Income tax revenue not available. . . . .	130,190	-	-	130,190
Intergovernmental revenue not available. . . . .	29,427	286,286	267,647	583,360
<b>Total deferred inflows of resources</b> . . . . .	<u>3,900,204</u>	<u>286,286</u>	<u>512,147</u>	<u>4,698,637</u>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Materials and supplies inventory. . . . .	-	-	3,281	3,281
Prepays. . . . .	42,838	-	-	42,838
Long-term loans. . . . .	300,046	-	-	300,046
Unclaimed monies. . . . .	12,472	-	-	12,472
<b>Restricted:</b>				
Capital improvements. . . . .	-	-	572,881	572,881
Non-public schools. . . . .	-	-	3,146	3,146
Public school preschool. . . . .	-	-	5,146	5,146
Extracurricular activities. . . . .	-	-	34,067	34,067
Other purposes. . . . .	-	-	15,089	15,089
<b>Assigned:</b>				
Student instruction. . . . .	84,367	-	-	84,367
Student and staff support. . . . .	192,683	-	-	192,683
Extracurricular activities. . . . .	4,597	-	-	4,597
School supplies. . . . .	81,933	-	-	81,933
Other purposes. . . . .	-	-	-	-
Unassigned (deficit). . . . .	6,759,084	(644,541)	(35,456)	6,079,087
<b>Total fund balances (deficit)</b> . . . . .	<u>7,478,020</u>	<u>(644,541)</u>	<u>598,154</u>	<u>7,431,633</u>
<b>Total liabilities, deferred inflows and fund balances</b> \$	<u>12,573,668</u>	<u>\$ 308,952</u>	<u>\$ 1,203,800</u>	<u>\$ 14,086,420</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2015

<b>Total governmental fund balances</b>		\$	7,431,633
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,614,090
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	84,143	
Income taxes receivable		130,190	
Intergovernmental receivable		583,360	
Total			797,693
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			2,887,036
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		1,140,539	
Deferred inflows of resources - pension		(2,865,626)	
Net pension liability		(15,833,183)	
Total			(17,558,270)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.			(556,529)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>(4,384,347)</b>

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, 2015

	<u>General</u>	<u>IDEA Part B</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,291,545	\$ -	\$ 283,491	\$ 4,575,036
Income taxes . . . . .	1,892,881	-	-	1,892,881
Tuition . . . . .	603,805	-	-	603,805
Earnings on investments . . . . .	10,089	-	-	10,089
Charges for services . . . . .	-	-	176,311	176,311
Extracurricular . . . . .	76,831	-	154,699	231,530
Classroom materials and fees . . . . .	82,969	-	16,124	99,093
Rental income . . . . .	3,942	-	-	3,942
Other local revenues . . . . .	47,666	-	-	47,666
Intergovernmental - intermediate . . . . .	13,598	-	-	13,598
Intergovernmental - state . . . . .	5,761,786	-	249,802	6,011,588
Intergovernmental - federal . . . . .	-	299,546	287,178	586,724
Total revenues . . . . .	<u>12,785,112</u>	<u>299,546</u>	<u>1,167,605</u>	<u>14,252,263</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,642,390	-	194,686	5,837,076
Special . . . . .	539,566	558,576	114,879	1,213,021
Vocational . . . . .	3,600	-	-	3,600
Other . . . . .	734,724	-	-	734,724
Support services:				
Pupil . . . . .	330,664	-	3,668	334,332
Instructional staff . . . . .	408,153	9,915	27,243	445,311
Board of education . . . . .	37,773	-	-	37,773
Administration . . . . .	1,365,659	-	-	1,365,659
Fiscal . . . . .	420,798	-	6,677	427,475
Operations and maintenance . . . . .	928,470	-	189,994	1,118,464
Pupil transportation . . . . .	727,173	-	-	727,173
Central . . . . .	171,421	-	-	171,421
Operation of non-instructional services:				
Other operation of non-instructional . . . . .	-	15,604	69,350	84,954
Food service operations . . . . .	-	-	489,499	489,499
Extracurricular activities . . . . .	339,018	-	148,232	487,250
Total expenditures . . . . .	<u>11,649,409</u>	<u>584,095</u>	<u>1,244,228</u>	<u>13,477,732</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,135,703</u>	<u>(284,549)</u>	<u>(76,623)</u>	<u>774,531</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	22,500	206,500	229,000
Transfers (out) . . . . .	(229,000)	-	-	(229,000)
Total other financing sources (uses) . . . . .	<u>(229,000)</u>	<u>22,500</u>	<u>206,500</u>	<u>-</u>
Net change in fund balances . . . . .	906,703	(262,049)	129,877	774,531
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<u>6,571,317</u>	<u>(382,492)</u>	<u>468,277</u>	<u>6,657,102</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ 7,478,020</u>	<u>\$ (644,541)</u>	<u>\$ 598,154</u>	<u>\$ 7,431,633</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, 2015

<b>Net change in fund balances - total governmental funds</b>	\$	774,531
 <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.		
Capital asset additions	\$ 250,027	
Current year depreciation	(191,609)	
Total		58,418
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(4,477)	
Income taxes	5,763	
Intergovernmental	128,110	
Total		129,396
 Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		991,235
 Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(668,970)
 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.		
		(50,490)
 An 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.		
		52,320
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>1,286,440</b>

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, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,851,496	\$ 3,851,496	\$ 4,287,388	\$ 435,892
Income taxes. . . . .	1,799,177	1,799,177	1,917,772	118,595
Tuition. . . . .	-	-	603,805	603,805
Earnings on investments . . . . .	7,896	7,896	9,891	1,995
Rental income . . . . .	12,756	12,756	3,942	(8,814)
Other local revenues . . . . .	36,768	36,768	47,666	10,898
Intergovernmental - state . . . . .	5,726,357	5,726,357	5,746,164	19,807
Total revenues . . . . .	<u>11,434,450</u>	<u>11,434,450</u>	<u>12,616,628</u>	<u>1,182,178</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,870,470	5,735,943	5,599,724	136,219
Special. . . . .	565,418	602,845	583,857	18,988
Vocational. . . . .	8,459	8,293	4,169	4,124
Other. . . . .	457,884	801,491	767,251	34,240
Support services:				
Pupil. . . . .	238,379	343,386	336,778	6,608
Instructional staff . . . . .	428,938	426,555	420,035	6,520
Board of education . . . . .	39,678	39,731	36,544	3,187
Administration. . . . .	1,247,338	1,388,130	1,369,253	18,877
Fiscal . . . . .	397,438	436,445	428,584	7,861
Operations and maintenance. . . . .	1,070,378	1,084,232	989,343	94,889
Pupil transportation . . . . .	721,682	787,997	736,511	51,486
Central. . . . .	149,332	222,638	218,543	4,095
Extracurricular activities. . . . .	307,679	305,008	262,268	42,740
Total expenditures . . . . .	<u>11,503,073</u>	<u>12,182,694</u>	<u>11,752,860</u>	<u>429,834</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(68,623)</u>	<u>(748,244)</u>	<u>863,768</u>	<u>1,612,012</u>
<b>Other financing sources (uses):</b>				
Transfers (out). . . . .	(470,111)	(255,334)	(229,000)	26,334
Advances (out) . . . . .	(320,092)	(310,030)	(286,286)	23,744
Sale of capital assets . . . . .	4,800	4,800	-	(4,800)
Total other financing sources (uses) . . . . .	<u>(785,403)</u>	<u>(560,564)</u>	<u>(515,286)</u>	<u>45,278</u>
Net change in fund balance . . . . .	(854,026)	(1,308,808)	348,482	1,657,290
<b>Fund balance at beginning of year . . . . .</b>	6,222,866	6,222,866	6,222,866	-
<b>Prior year encumbrances appropriated . . . . .</b>	191,854	191,854	191,854	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 5,560,694</u>	<u>\$ 5,105,912</u>	<u>\$ 6,763,202</u>	<u>\$ 1,657,290</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)  
IDEA PART B FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental - federal . . . . .	38,800	38,800	299,546	260,746
Total revenue . . . . .	<u>38,800</u>	<u>38,800</u>	<u>299,546</u>	<u>260,746</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special . . . . .	1,075,790	724,258	573,063	151,195
Support Services:				
Instructional staff . . . . .	16,466	16,139	9,259	6,880
Operation of non-instructional services . . . . .	27,325	28,990	27,242	1,748
Total expenditures . . . . .	<u>1,119,581</u>	<u>769,387</u>	<u>609,564</u>	<u>159,823</u>
Excess of revenues over (under) expenditures . . . . .	<u>(1,080,781)</u>	<u>(730,587)</u>	<u>(310,018)</u>	<u>420,569</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	22,500	22,500
Advances in . . . . .	-	-	286,286	286,286
Total other financing sources (uses) . . . . .	<u>-</u>	<u>-</u>	<u>308,786</u>	<u>308,786</u>
Net change in fund balance . . . . .	(1,080,781)	(730,587)	(1,232)	729,355
<b>Fund balance at beginning of year . . . . .</b>	-	-	-	-
<b>Prior year encumbrances appropriated . . . . .</b>	2,218	2,218	2,218	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ (1,078,563)</u>	<u>\$ (728,369)</u>	<u>\$ 986</u>	<u>\$ 729,355</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	<b>Governmental Activities - Internal Service Funds</b>
<b>Assets:</b>	
Cash with fiscal agent . . . . .	\$ 3,057,604
Total assets. . . . .	3,057,604
<b>Liabilities:</b>	
Claims payable . . . . .	170,568
Total liabilities . . . . .	170,568
<b>Net position:</b>	
Unrestricted. . . . .	2,887,036
Total net position. . . . .	\$ 2,887,036

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 2,261,351
Total operating revenues . . . . .	<u>2,261,351</u>
<b>Operating expenses:</b>	
Personal services. . . . .	8,173
Purchased services. . . . .	643,515
Other. . . . .	414
Claims . . . . .	1,578,131
Total operating expenses. . . . .	<u>2,230,233</u>
Operating income. . . . .	<u>31,118</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	21,202
Total nonoperating revenues. . . . .	<u>21,202</u>
Change in net position . . . . .	52,320
<b>Net position at beginning of year. . . . .</b>	<u>2,834,716</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 2,887,036</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 2,261,351
Cash received from other operations . . . . .	(8,173)
Cash payments for purchased services . . . . .	(643,515)
Cash payments for claims . . . . .	(1,515,765)
Cash payments for other expenses . . . . .	(414)
	93,484
Net cash provided by operating activities . . . . .	93,484
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	21,202
	21,202
Net cash provided by investing activities . . . . .	21,202
Net increase in cash with fiscal agent . . . . .	114,686
<b>Cash with fiscal agent at beginning of year . . .</b>	<b>2,942,918</b>
<b>Cash with fiscal agent at end of year . . . . .</b>	<b>\$ 3,057,604</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 31,118
Changes in assets and liabilities:	
Claims payable . . . . .	62,366
	62,366
Net cash provided by operating activities. . . . .	\$ 93,484

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 1,185	\$ 23,403
Total assets. . . . .	<u>1,185</u>	<u>\$ 23,403</u>
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 23,403
Total liabilities . . . . .	<u>-</u>	<u>\$ 23,403</u>
<b>Net position:</b>		
Held in trust for scholarships . . . . .	1,185	
Total net position. . . . .	<u>\$ 1,185</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions . . . . .	\$ 92
Total additions . . . . .	92
<b>Reductions:</b>	
Scholarships awarded . . . . .	500
Change in net position . . . . .	(408)
<b>Net position at beginning of year . . . . .</b>	<b>1,593</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 1,185</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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 is staffed by 99 certified full-time teaching personnel and 62 classified employees who provide services to 1,457 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'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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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 service, 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. 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**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**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 “Midland COG”)

The Midland COG is a jointly governed organization among twenty-two boards of education. The Midland COG was formed to provide efficient and cost effective computer and data processing services to member boards. Financial support for the Midland COG is provided by member fees levied according to the number of students within each member’s respective district. The Executive Committee determines and sets the fees for all services.

Representation on the Midland COG consists of one member appointed by each member board of education. The representative shall be the Superintendent, Assistant Superintendent or Treasurer of the member district board of education. The Midland COG is governed by the Executive Committee who is elected for two year terms except the position of Fiscal Agent Superintendent which is a permanent appointment. The Executive Committee consists of seven members. The members are two Superintendents, two Treasurers, two members-at-large and the Fiscal Agent Superintendent.

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 and deferred inflows of resources is reported as fund balance.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

The following is the District's major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

IDEA Part B fund - The IDEA Part B fund is used to account for federal grant money that is restricted to providing an appropriate public education to all children with disabilities.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

**PROPRIETARY FUNDS**

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 position and changes in net position. 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 position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. 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.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

*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.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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 deferred outflows and all liabilities and deferred inflows associated with the operation of this fund are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

*Revenues - Exchange and Nonexchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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, income 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).

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, income taxes, interest, tuition, grants, student fees and rentals.

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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 2015 is as follows:

1. Prior to January 15, 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 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.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission.
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 statutory provisions.



**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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 July 1, 2015; 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.

**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 investments" on the basic financial statements.

During fiscal year 2015, 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 shares price which is the price the investment could be sold for on June 30, 2015.

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. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$10,089, which includes \$1,044 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 accounts at year end is provided in Note 4.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**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.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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 position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. For fiscal year 2015, 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 and construction in progress 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:

<u>Description</u>	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 loans receivable/payable". On fund financials, receivables and payables resulting from long-term interfund loans are classified as "loans to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

**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, 2015, 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 or greater with at least ten years of service and all employees with at least twenty 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, 2015, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. 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 noncurrent portion of the 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 and compensated absences 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.

**L. Fund Balance**

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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 position is available.

**N. Prepayments**

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

On the fund financial statements, reported prepayments are equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**O. Parochial School**

Within the District's 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.

**P. 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.

**Q. 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 funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**R. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2015, the balance in the budget stabilization reserve was \$150,386. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**S. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**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 2015.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 13 to the financial statements, and added required supplementary information which is presented on pages 63 through 69.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 12,209,748
Deferred outflows - payments subsequent to measurement date	934,539
Net pension liability	(18,815,074)
Restated net position at July 1, 2014	\$ (5,670,787)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**B. Deficit Fund Balances**

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
IDEA Part B	\$ 644,541
 <u>Nonmajor governmental funds</u>	
Food service	15,750
Title I	9,993
Improving teacher quality	6,432

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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 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 items 1 or 2 above, 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.



**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

**A. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$3,332,432. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2015, \$329,203 of the District’s bank balance of \$3,594,300 was exposed to custodial risk as discussed below, while \$3,265,097 was covered 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 \$3,057,604. 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, 2015, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 4,540,984	\$ 4,540,984

The weighted average maturity of investments is 0.00.

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*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, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 4,540,984	100.00

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

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 position as of June 30, 2015:

<u>Cash and investments per note disclosure</u>		
Carrying amount of deposits	\$ 3,332,432	
Investments	4,540,984	
Cash with fiscal agent	<u>3,057,605</u>	
Total	<u>\$ 10,931,021</u>	
 <u>Cash and investments per statement of net position</u>		
Governmental activities	\$ 10,906,433	
Private purpose trust fund	1,185	
Agency funds	<u>23,403</u>	
Total	<u>\$ 10,931,021</u>	

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2015 as reported on the fund financial statements, consisted of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	IDEA Part B	<u>\$ 286,286</u>

The primary purpose of the 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. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund transfers for the year ended June 30, 2015 as reported on the fund financial statements, consisted of the following:

<u>Transfer from general fund to:</u>	<u>Amount</u>
IDEA Part B	\$ 22,500
Nonmajor governmental fund	<u>206,500</u>
Total	<u>\$ 229,000</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

- C.** Interfund balances at June 30, 2014 as reported on the fund financial statements, consisted of the following individual loans to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Idea Part B	\$ 299,546
General	Nonmajor governmental fund	<u>500</u>
Total		<u>\$ 300,046</u>

The primary purpose of the 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. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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 property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The 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, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$234,662 in the general fund and \$15,338 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$230,506 in the general fund and \$15,724 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 171,787,630	89.99	\$ 180,592,640	89.72
Public utility personal	<u>19,107,340</u>	<u>10.01</u>	<u>20,692,490</u>	<u>10.28</u>
Total	<u>\$ 190,894,970</u>	<u>100.00</u>	<u>\$ 201,285,130</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
General operations	\$ 39.40		\$ 39.40	
Permanent improvement	1.90		1.90	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2015 consisted of property taxes, income taxes, grants and entitlements (reported as “intergovernmental”) and accrued interest. 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 position follows:

**Governmental activities:**

Property taxes	\$ 4,235,087
Income taxes	762,145
Intergovernmental	598,982
Accrued interest	<u>894</u>
Total	<u>\$ 5,597,108</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 - SCHOOL DISTRICT INCOME TAX**

The District passed a 1.00% continuing earned income only tax for general operations of the District beginning January 1, 2008 and ending December 31, 2012. Employers and residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$1,892,881 during fiscal year 2015.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>06/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/15</u>
<b><u>Governmental activities:</u></b>				
<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	779,629	16,270	-	795,899
Buildings and improvements	5,088,121	7,943	-	5,096,064
Equipment and furniture	1,431,830	17,667	-	1,449,497
Vehicles	1,597,609	208,147	-	1,805,756
Library books	616,859	-	-	616,859
Total capital assets, being depreciated	<u>9,514,048</u>	<u>250,027</u>	<u>-</u>	<u>9,764,075</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(665,341)	(14,214)	-	(679,555)
Buildings and improvements	(4,146,596)	(82,439)	-	(4,229,035)
Equipment and furniture	(1,352,549)	(16,600)	-	(1,369,149)
Vehicles	(1,275,248)	(78,356)	-	(1,353,604)
Library books	(616,859)	-	-	(616,859)
Total accumulated depreciation	<u>(8,056,593)</u>	<u>(191,609)</u>	<u>-</u>	<u>(8,248,202)</u>
Governmental activities capital assets, net	<u>\$ 2,555,672</u>	<u>\$ 58,418</u>	<u>\$ -</u>	<u>\$ 2,614,090</u>

Depreciation expense was charged to governmental functions as follows:

<b><u>Instruction:</u></b>	
Regular	\$ 61,441
<b><u>Support services:</u></b>	
Instructional staff	825
Administration	967
Operations and maintenance	47,986
Pupil transportation	72,628
Extracurricular activities	7,447
Food service operations	<u>315</u>
Total depreciation expense	<u>\$ 191,609</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2015, the following changes occurred to the long-term obligations of governmental activities. The long-term obligations at June 30, 2014 have been restated as described in Note 3.A.

	Restated Balance	Increases	Decreases	Balance	Amount Due
<u>Governmental activities:</u>	<u>06/30/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/15</u>	<u>In One Year</u>
Net pension liability	\$ 18,815,074	\$ -	\$ (2,981,891)	\$ 15,833,183	\$ -
Compensated absences	590,813	135,767	(115,549)	611,031	93,774
Total other long-term obligations	<u>\$ 19,405,887</u>	<u>\$ 135,767</u>	<u>\$ (3,097,440)</u>	<u>\$ 16,444,214</u>	<u>\$ 93,774</u>

*Net Pension Liability:* See Note 13 for details.

*Compensated Absences:* Compensated absences will be paid from the fund from which the employees' salaries are paid, which for the District is primarily 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 margin 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 calculation 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. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$18,115,662 and an unvoted debt margin of \$201,285.

**NOTE 11 - 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 20 days of vacation per year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers, and 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 earned up to a maximum of fifteen days per year for all personnel. The total lifetime maximum sick leave accumulation is 282 days for certified personnel and 282 days for classified personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 70 days for certified employees and 71 days for classified employees.

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**NOTE 12 - 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 2015, the District contracted with Ohio Casualty 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 \$40,754,419 in the aggregate with a \$5,000 deductible.

Vehicles are covered by Booker/Indiana Insurance Company and hold a \$500 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 \$397,933 reported in the internal service fund at June 30, 2015 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", and as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the current and prior fiscal year are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2015	\$ 108,202	\$ 1,578,131	\$ (1,515,765)	\$ 170,568
2014	121,747	991,617	(1,005,162)	108,202

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

**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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

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. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$207,560 for fiscal year 2015. Of this amount \$19,920 is reported as pension and postemployment benefits payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$783,675 for fiscal year 2015. Of this amount, \$133,344 is reported as pension and postemployment benefits payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 2,800,422	\$ 13,032,761	\$ 15,833,183
Proportion of the net pension liability	0.05533400%	0.05358103%	
Pension expense	\$ 163,422	\$ 505,548	\$ 668,970

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 23,835	\$ 125,469	\$ 149,304
District contributions subsequent to the measurement date	<u>207,560</u>	<u>783,675</u>	<u>991,235</u>
Total deferred outflows of resources	<u>\$ 231,395</u>	<u>\$ 909,144</u>	<u>\$ 1,140,539</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 454,516</u>	<u>\$ 2,411,110</u>	<u>\$ 2,865,626</u>
Total deferred inflows of resources	<u>\$ 454,516</u>	<u>\$ 2,411,110</u>	<u>\$ 2,865,626</u>

\$991,235 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (107,670)	\$ (571,411)	\$ (679,081)
2017	(107,670)	(571,411)	(679,081)
2018	(107,670)	(571,411)	(679,081)
2019	<u>(107,671)</u>	<u>(571,408)</u>	<u>(679,079)</u>
Total	<u>\$ (430,681)</u>	<u>\$ (2,285,641)</u>	<u>\$ (2,716,322)</u>

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,995,370	\$ 2,800,422	\$ 1,795,368

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 18,657,818	\$ 13,032,761	\$ 8,275,855

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$27,504.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$40,882, \$29,775, and \$25,926, respectively. For fiscal year 2015, 91.42 percent has been contributed, with the balance being reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2014 and 2013.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$55,695, and \$55,732 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

(e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget 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 and major special revenue fund are as follows:

**Net Change in Fund Balance**

	<u>General fund</u>	<u>IDEA Part B</u>
Budget basis	\$ 348,482	\$ (1,232)
Net adjustment for revenue accruals	(4,914)	-
Net adjustment for expenditure accruals	(2,983)	3,789
Net adjustment for other sources/uses	286,286	(286,286)
Funds budgeted elsewhere	36,480	-
Adjustment for encumbrances	<u>243,352</u>	<u>21,680</u>
GAAP basis	<u>\$ 906,703</u>	<u>\$ (262,049)</u>

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the rotary fund, the public school support fund and the unclaimed monies fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure 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 general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

**B. Litigation**

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

**NOTE 17 - SET ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 17 - SET ASIDES - (Continued)**

The following cash-basis information describes the change in the fiscal year-end set-aside amounts for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	241,505
Current year qualifying expenditures	-
Current year offsets	<u>(321,594)</u>
Total	<u>\$ (80,089)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

Although the District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

**NOTE 18 - COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General	\$ 253,663
IDEA Part B	20,737
Nonmajor governmental funds	<u>45,350</u>
Total	<u>\$ 319,750</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability	0.05533400%	0.05533400%
District's proportionate share of the net pension liability	\$ 2,800,422	\$ 3,290,535
District's covered-employee payroll	\$ 1,607,893	\$ 1,672,030
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	196.80%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability	0.05358103%	0.05358103%
District's proportionate share of the net pension liability	\$ 13,032,761	\$ 15,524,539
District's covered-employee payroll	\$ 5,474,500	\$ 5,573,223
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	278.56%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 207,560	\$ 222,854	\$ 231,409	\$ 200,452
Contributions in relation to the contractually required contribution	<u>(207,560)</u>	<u>(222,854)</u>	<u>(231,409)</u>	<u>(200,452)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,574,810	\$ 1,607,893	\$ 1,672,030	\$ 1,490,349
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%



<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 185,577	\$ 186,636	\$ 127,394	\$ 118,827	\$ 135,846	\$ 161,439
<u>(185,577)</u>	<u>(186,636)</u>	<u>(127,394)</u>	<u>(118,827)</u>	<u>(135,846)</u>	<u>(161,439)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,476,348	\$ 1,378,405	\$ 1,294,654	\$ 1,210,051	\$ 1,271,966	\$ 1,525,888
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 783,675	\$ 711,685	\$ 724,519	\$ 708,416
Contributions in relation to the contractually required contribution	<u>(783,675)</u>	<u>(711,685)</u>	<u>(724,519)</u>	<u>(708,416)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,597,679	\$ 5,474,500	\$ 5,573,223	\$ 5,449,354
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 686,760	\$ 677,955	\$ 658,721	\$ 616,980	\$ 624,116	\$ 740,584
<u>(686,760)</u>	<u>(677,955)</u>	<u>(658,721)</u>	<u>(616,980)</u>	<u>(624,116)</u>	<u>(740,584)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,282,769	\$ 5,215,038	\$ 5,067,085	\$ 4,746,000	\$ 4,800,892	\$ 5,696,800
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/ Pass Through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through The Ohio Department of Education:</i>			
Child Nutrition Cluster:			
National School Lunch Program			
Cash Assistance	10.555	\$ 190,524	\$ 190,524
Non-Cash Assistance (Food Distribution)	10.555	<u>25,996</u>	<u>25,996</u>
Total Child Nutrition Cluster		<u>216,520</u>	<u>216,520</u>
<b>Total U.S. Department of Agriculture</b>		<u>216,520</u>	<u>216,520</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through The Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	51,629	115,259
Special Education Grants to States (IDEA, Part B)	84.027	299,545	286,286
Title II-A Improving Teacher Quality State Grants	84.367	<u>13,629</u>	<u>38,644</u>
<b>Total – U.S. Department of Education</b>		<u>364,803</u>	<u>440,189</u>
<b>Total Federal Financial Assistance</b>		<u>\$ 581,323</u>	<u>\$ 656,709</u>

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

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Note A – Significant Accounting Policies**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Chippewa Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**Note B – Child Nutrition Cluster**

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

**Note C – Food Donation**

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



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Marietta, OH 45750  
740.373.0056

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740.695.1569

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

January 29, 2016

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Chippewa Local School District**, Wayne County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2015 wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.



**...“bringing more to the table”**

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 29, 2016.

***District's Response to Finding***

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

***Purpose of this Report***

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio





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

January 29, 2016

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

To the Board of Education:

***Report on Compliance for Each Major Federal Program***

We have audited **Chippewa Local School District's** (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Chippewa Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the District's major federal programs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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



**...“bringing more to the table”**  
Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
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***Opinion on Each Major Federal Program***

In our opinion, Chippewa Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2015.

***Report on Internal Control Over Compliance***

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

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

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

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

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

SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**1. SUMMARY OF AUDITOR'S RESULTS**

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

CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY

SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015  
(Continued)

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

**FINDING NUMBER 2015-001**

**Noncompliance**

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

It was determined that total appropriations exceeded total estimated resources in the following funds:

<b>Funds</b>	<b>Deficit</b>
Food Service	\$28,725
Pupil Student Activity	\$5,110
District Student Activity	\$8,348
Auxiliary Service	\$69,546
Early Childhood	\$130,098
Misc. State Grant	\$1,950
IDEA – Part B	\$730,587
Title I	\$37,371
Improving Teacher Quality	\$49,579
Title II	\$18,209

This could result in the District expending more money than it receives and could cause possible negative fund balances. A lack of funds may result in the District being unable to meet its current obligations.

We recommend the District ensure estimated resources are sufficient to cover appropriations at the time of certification or amendment. Additionally, we recommend the District submit the required budgetary documents to the County Auditor throughout the year. This would include the Certificate of Total Amount Available from All Sources and Annual Appropriation Resolutions.

**Management's Response** – The District understands the importance of the budgetary process and will take greater care in the future to make sure all estimated resource estimates are amended to reflect the current appropriation needs.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2014-001	ORC Section 5705.39 – Total appropriations from each fund should not exceed estimated resources.	No	Not Corrected, Repeated as Finding 2015-001
2014-002	Special Education - Maintenance of Effort	Yes	N/A
2014-003	National School Lunch Program – Eligibility	Yes	N/A
2014-004	Federal Schedule	Yes	N/A

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# Dave Yost • 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  
APRIL 26, 2016