

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

***GENERAL PURPOSE FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 1999 AND 1998***

**TRIMBLE, JULIAN & GRUBE, INC.**

**TJG**

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

***GENERAL PURPOSE FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 1999 AND 1998***

**STEVEN WORKMAN, TREASURER**

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

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Board of Education  
Chippewa Local School District  
257 High Street  
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We have reviewed the independent auditor's report of the Chippewa Local School District, Wayne County, prepared by Trimble, Julian & Grube, Inc. , for the audit period July 1, 1997 through June 30, 1999. 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.



JIM PETRO  
Auditor of State

February 4, 2000

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 WORTHINGTON WOODS BOULEVARD  
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## Independent Auditor's Report

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Board of Education  
Chippewa Local School District  
257 High Street  
Doylestown, Ohio 44230

We have audited the accompanying general purpose financial statements of the Chippewa Local School District, Wayne County, (the "District") as of and for the years ended June 30, 1999 and 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial positions of the Chippewa Local School District, Wayne County, as of June 30, 1999 and 1998, and the results of its operations and the cash flows of its proprietary fund types for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Trimble, Julian & Grube, Inc.

January 20, 2000

**CHIPPEWA LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 1999**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Long-Term	
								Fixed Assets	Obligations	
<b>ASSETS AND OTHER DEBITS</b>										
<b>ASSETS:</b>										
Equity in pooled cash and cash equivalents . . . . .	\$537,918	\$1,652,239	\$212,334	\$32,344	\$44,636	\$19,256	\$31,651			\$2,530,378
Cash with fiscal agent . . . . .						605,120				605,120
Receivables (net of allowances of uncollectibles):										
Property taxes - current & delinquent . . . . .	2,828,809	474,087								3,302,896
Accounts . . . . .	481	23,617			17,059		387			41,544
Interfund loan receivable . . . . .		236,000			12,529					236,000
Due from other governments . . . . .										12,529
Prepayments . . . . .	4,370				16,982					4,370
Materials and supplies inventory . . . . .										16,582
Restricted assets:										
Equity in pooled cash and cash equivalents . . . . .	105,184									105,184
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .					7,667			\$9,067,568		9,075,235
<b>OTHER DEBITS:</b>										
Amount available in Debt Service Fund . . . . .									\$212,334	212,334
Amount to be provided for retirement of General Long-Term Obligations . . . . .									521,917	521,917
<b>Total assets and other debits . . . . .</b>	<u>\$3,476,762</u>	<u>\$2,385,943</u>	<u>\$212,334</u>	<u>\$32,344</u>	<u>\$98,473</u>	<u>\$624,376</u>	<u>\$32,038</u>	<u>\$9,067,568</u>	<u>\$734,251</u>	<u>\$16,664,089</u>

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

**CHIPPEWA LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Long-Term Obligations	
								Fixed Assets		
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>										
<b>LIABILITIES:</b>										
Accounts payable . . . . .	\$174,980	\$29,092		\$7,017	\$16,236	\$251	\$104			\$227,680
Accrued wages and benefits . . . . .	883,727	54,762			16,531					955,020
Compensated absences payable . . . . .	6,309				9,050				\$565,360	580,719
Pension obligation payable . . . . .	115,232	8,004			12,763				63,909	199,908
Interfund loan payable . . . . .		236,000								236,000
Deferred revenue . . . . .	2,704,095	453,186			7,968					3,165,249
Due to other governments . . . . .										8,240
Due to students . . . . .										13,217
Claims payable . . . . .						44,306				44,306
Energy conservation notes payable . . . . .									104,982	104,982
<b>Total liabilities . . . . .</b>	<b>3,884,343</b>	<b>781,044</b>		<b>7,017</b>	<b>62,548</b>	<b>44,557</b>	<b>21,561</b>		<b>734,251</b>	<b>5,535,321</b>
<b>EQUITY AND OTHER CREDITS:</b>										
Investment in general fixed assets . . . . .										
Retained earnings: unreserved . . . . .										
Fund balances:										
Reserved for encumbrances . . . . .	12,611	24,023								36,775
Reserved for prepayments . . . . .	4,370						141			4,370
Reserved for debt service . . . . .			\$212,334							212,334
Reserved for tax revenue unavailable for appropriation . . . . .	124,714	20,901								145,615
Reserved for budget stabilization . . . . .	105,184									105,184
Designated for budget stabilization . . . . .	301,657									301,657
Unreserved-undesignated (deficit) . . . . .	(956,117)	1,559,975		25,327			10,336			639,521
<b>Total equity and other credits . . . . .</b>	<b>(407,581)</b>	<b>1,604,899</b>	<b>212,334</b>	<b>25,327</b>	<b>35,925</b>	<b>579,819</b>	<b>10,477</b>	<b>9,067,568</b>		<b>11,128,768</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$3,476,762</b>	<b>\$2,385,943</b>	<b>\$212,334</b>	<b>\$32,344</b>	<b>\$98,473</b>	<b>\$624,376</b>	<b>\$32,038</b>	<b>\$9,067,568</b>	<b>\$734,251</b>	<b>\$16,664,089</b>

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

**CHIPPEWA LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expensible Trust	
<b>Revenues:</b>						
<b>From local sources:</b>						
Taxes . . . . .	\$2,690,152	\$444,848				\$3,135,000
Tuition . . . . .	279					279
Earnings on investments . . . . .	148,334					148,334
Extracurricular activities . . . . .		223,287				223,287
Classroom fees . . . . .		52,340				52,340
Other local revenues . . . . .	26,518				\$3,837	30,355
Intergovernmental - State . . . . .	4,529,479	331,412		\$84,220		4,945,111
Intergovernmental - Federal . . . . .		34,213				34,213
<b>Total revenue . . . . .</b>	<b>7,394,762</b>	<b>1,086,100</b>		<b>84,220</b>	<b>3,837</b>	<b>8,568,919</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular . . . . .	3,851,843	95,587		121,964		4,069,394
Special . . . . .	241,390	252,007				493,397
Vocational . . . . .	130,147					130,147
Other . . . . .	343,723					343,723
<b>Support services:</b>						
Pupil . . . . .	252,839	39,030			1,000	292,869
Instructional staff . . . . .	300,925	53,077				354,002
Board of Education . . . . .	15,138					15,138
Administration . . . . .	632,920	33,391				666,311
Fiscal . . . . .	189,017	8,474				197,491
Operations and maintenance . . . . .	870,590	34,837		292,614		1,198,041
Pupil transportation . . . . .	606,458	115				606,573
Central . . . . .	26,622				3,562	30,184
Community services . . . . .		71,399				71,399
Extracurricular activities . . . . .	176,250	199,201				375,451
<b>Debt service:</b>						
Principal retirement . . . . .			\$36,936			36,936
Interest and fiscal charges . . . . .			9,831			9,831
<b>Total expenditures . . . . .</b>	<b>7,637,862</b>	<b>787,118</b>	<b>46,767</b>	<b>414,578</b>	<b>4,562</b>	<b>8,890,887</b>
<b>Excess of revenues over (under) expenditures . . . . .</b>	<b>(243,100)</b>	<b>298,982</b>	<b>(46,767)</b>	<b>(330,358)</b>	<b>(725)</b>	<b>(321,968)</b>
<b>Fund balance (Deficit), July 1 . . . . .</b>	<b>(164,481)</b>	<b>1,305,917</b>	<b>259,101</b>	<b>355,685</b>	<b>11,202</b>	<b>1,767,424</b>
<b>Fund balance (Deficit), June 30 . . . . .</b>	<b>(\$407,581)</b>	<b>\$1,604,899</b>	<b>\$212,334</b>	<b>\$25,327</b>	<b>\$10,477</b>	<b>\$1,445,456</b>

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

**CHIPPEWA LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)	
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>														
From local sources:														
Taxes	\$2,515,746	\$2,822,383	\$306,637	\$479,307	\$469,854	(\$9,453)							\$3,292,237	\$397,184
Tuition	249	279	30										279	30
Operating on investments	132,807	148,995	16,188										148,995	16,188
Other local revenues	23,550	26,621	2,871	257,362	252,286	(5,076)							278,707	(2,205)
Intergovernmental - State	4,039,013	4,531,317	492,304	338,080	331,413	(6,667)							4,946,950	424,837
Intergovernmental - Federal				34,801	34,213	(688)							34,213	(688)
Total revenues	6,711,365	7,529,395	818,030	1,109,650	1,087,766	(21,884)							8,201,381	755,366
<b>Expenditures:</b>														
Current:														
Instruction:														
Regular	3,797,272	3,868,087	(70,815)	137,133	108,956	28,177							4,109,730	4,953
Special	230,434	230,433	(1)	181,989	259,261	(77,272)							412,423	(77,271)
Vocational	128,081	128,600	(519)										128,600	(519)
Other	288,890	288,264	626										288,890	626
Support services:														
Pupil	252,210	259,568	(7,358)	28,704	43,418	(14,714)							280,914	(2,072)
Instructional staff	297,977	302,810	(4,833)	70,538	51,530	19,008							368,515	14,175
Board of Education	14,157	14,267	(110)										14,267	(110)
Administration	618,528	617,540	988	34,855	32,951	5,904							657,383	6,892
Fiscal	186,653	185,577	1,076	8,497	8,474	23							195,150	1,099
Operations and maintenance	838,331	836,541	(1,790)	18,702	37,836	(19,134)							1,360,681	167,838
Pupil transportation	605,051	617,402	(12,351)	1,004	115	889							606,055	(11,452)
Central	26,622	26,622	0	98,721	85,608	13,113							26,622	0
Community services	174,717	174,717	0	244,272	209,245	35,027							98,721	13,113
Extracurricular activities													418,989	35,027
Debt service:														
Principal retirement														
Interest and fiscal charges														
Total expenditures	7,478,923	7,608,428	(129,505)	828,415	837,394	(8,979)							9,208,989	135,409
Excess of revenues over (under) expenditures	(767,558)	(79,033)	688,525	281,235	250,372	(30,863)							(1,242,974)	870,775
Other financing sources (uses):														
Operating transfers in														
Operating transfers (out)														
Advances in														
Advances (out)														
Total other financing sources (uses)	0	0	0	(589,127)	0	589,127							(542,127)	542,127
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(767,558)	(79,033)	688,525	(307,892)	250,372	558,264							(1,785,101)	1,412,902
Fund balance, July 1	477,121	477,121	0	1,276,448	1,276,448	0							2,036,982	0
Prior year encumbrances appropriated	58,084	58,084	0	77,524	77,524	0							636,163	0
Fund balance, June 30	(323,553)	\$456,172	\$688,525	\$1,046,080	\$1,604,344	\$558,264							\$888,024	\$1,412,902

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

**CHIPPEWA LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Tuition and fees . . . . .	\$75,494		\$75,494
Sales/charges for services . . . . .	284,151	\$626,701	910,852
Other operating revenues . . . . .		25,521	25,521
 Total operating revenues . . . . .	 <u>359,645</u>	 <u>652,222</u>	 <u>1,011,867</u>
Operating expenses:			
Personal services . . . . .	158,985		158,985
Contract services . . . . .	18,840	108,714	127,554
Materials and supplies . . . . .	251,049	7,149	258,198
Depreciation . . . . .	1,903		1,903
Claims expense . . . . .		496,838	496,838
 Total operating expenses . . . . .	 <u>430,777</u>	 <u>612,701</u>	 <u>1,043,478</u>
Operating income (loss) . . . . .	<u>(71,132)</u>	<u>39,521</u>	<u>(31,611)</u>
Nonoperating revenues:			
Operating grants . . . . .	69,101	6,701	75,802
Federal commodities . . . . .	35,833		35,833
Interest revenue . . . . .	661	33,592	34,253
 Total nonoperating revenues . . . . .	 <u>105,595</u>	 <u>40,293</u>	 <u>145,888</u>
Net income . . . . .	34,463	79,814	114,277
Retained earnings, July 1 . . . . .	<u>1,462</u>	<u>500,005</u>	<u>501,467</u>
Retained earnings, June 30 . . . . .	<u><u>\$35,925</u></u>	<u><u>\$579,819</u></u>	<u><u>\$615,744</u></u>

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

**CHIPPEWA LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
<b>Cash flows from operating activities:</b>			
Cash received from tuition and fees . . . . .	\$75,347		\$75,347
Cash received from sales/charges for services . . . . .	267,239	\$626,701	893,940
Cash received from other operations . . . . .		25,521	25,521
Cash payments for personal services . . . . .	(160,956)	(5,572)	(166,528)
Cash payments for contract services . . . . .	(18,683)	(109,142)	(127,825)
Cash payments for materials and supplies . . . . .	(210,774)	(6,898)	(217,672)
Cash payments for claims expenses . . . . .		(536,658)	(536,658)
<b>Net cash used in operating activities . . . . .</b>	<b>(47,827)</b>	<b>(6,048)</b>	<b>(53,875)</b>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants . . . . .	56,572	6,701	63,273
<b>Net cash provided by noncapital financing activities . . . . .</b>	<b>56,572</b>	<b>6,701</b>	<b>63,273</b>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(674)		(674)
<b>Net cash used in capital and related financing activities . . . . .</b>	<b>(674)</b>		<b>(674)</b>
<b>Cash flows from investing activities:</b>			
Interest received . . . . .	661	33,592	34,253
<b>Net cash provided by investing activities . . . . .</b>	<b>661</b>	<b>33,592</b>	<b>34,253</b>
<b>Net increase (decrease) in cash and cash equivalents . . . . .</b>	<b>8,732</b>	<b>34,245</b>	<b>42,977</b>
Cash and cash equivalents at beginning of year . . . . .	35,904	590,131	626,035
Cash and cash equivalents at end of year . . . . .	<u>\$44,636</u>	<u>\$624,376</u>	<u>\$669,012</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating income (loss) . . . . .	(\$71,132)	\$39,521	(\$31,611)
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>			
Depreciation . . . . .	1,903		1,903
Federal donated commodities . . . . .	35,833		35,833
<b>Changes in assets and liabilities:</b>			
Decrease in supplies inventory . . . . .	391		391
Increase in accounts receivable . . . . .	(17,059)		(17,059)
Increase in accounts payable . . . . .	4,020	251	4,271
Decrease in accrued wages & benefits . . . . .	(1,207)		(1,207)
Decrease in compensated absences payable . . . . .	(901)		(901)
Increase in pension obligation payable . . . . .	137		137
Decrease in claims payable . . . . .		(45,820)	(45,820)
Increase in deferred revenue . . . . .	188		188
<b>Net cash used in operating activities . . . . .</b>	<b>(\$47,827)</b>	<b>(\$6,048)</b>	<b>(\$53,875)</b>

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

**CHIPPEWA LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 1998**

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations		
<b>ASSETS AND OTHER DEBITS:</b>											
ASSETS:											
Equity in pooled cash and cash equivalents	\$491,999	\$1,353,973	\$259,101	\$524,847	\$35,904	\$19,453	\$24,271				\$2,709,548
Cash with fiscal agent						570,678					570,678
Receivables (net of allowances of uncollectibles):											
Taxes - current & delinquent	2,716,801	454,440									3,171,241
Accounts	384	276									660
Due from other governments	1,838										1,838
Prepayments	3,585										3,585
Materials and supplies inventory					16,973						16,973
Restricted assets:											
Equity in pooled cash and cash equivalents	43,206										43,206
Property, plant and equipment (net of accumulated depreciation where applicable)					8,896			\$8,255,294			8,264,190
OTHER DEBITS:											
Amount available in Debt Service Fund									\$259,101		259,101
Amount to be provided for retirement of general long-term obligations									434,612		434,612
<b>Total assets and other debits</b>	<b>\$3,257,813</b>	<b>\$1,808,689</b>	<b>\$259,101</b>	<b>\$524,847</b>	<b>\$61,773</b>	<b>\$590,131</b>	<b>\$24,271</b>	<b>\$8,255,294</b>	<b>\$693,713</b>		<b>\$15,475,632</b>

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

**CHIPPEWA LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 1998**

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency			General	Fixed Assets	Long-Term Obligations	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>													
<b>LIABILITIES:</b>													
Accounts payable . . . . .	\$27,942	\$31,413		\$169,162	\$12,216								\$240,733
Accrued wages and benefits . . . . .	824,032	56,360			17,738								898,130
Compensated absences payable . . . . .	2,878				9,951						\$498,896		511,725
Pension obligation payable . . . . .	107,586	6,466			12,626						52,899		179,577
Deferred revenue . . . . .	2,459,856	408,533			7,780								2,876,169
Due to other governments . . . . .						\$5,184							5,184
Due to students . . . . .						7,885							7,885
Claims payable . . . . .						\$90,126							90,126
Energy conservation note payable . . . . .											141,918		141,918
<b>Total liabilities . . . . .</b>	<b>3,422,294</b>	<b>502,772</b>		<b>169,162</b>	<b>60,311</b>	<b>90,126</b>	<b>13,069</b>		<b>693,713</b>				<b>4,951,447</b>
<b>EQUITY AND OTHER CREDITS:</b>													
Investment in general fixed assets . . . . .													8,255,294
Retained earnings:													
unreserved . . . . .					1,462	500,005							501,467
Fund balances:													
Reserved for encumbrances . . . . .	30,142	70,262		331,393									431,797
Reserved for prepayments . . . . .	3,585												3,585
Reserved for debt service . . . . .			\$259,101										259,101
Reserved for tax revenue unavailable for appropriation . . . . .	256,945	45,907											302,852
Reserved for budget stabilization . . . . .	43,206												43,206
Unreserved-undesignated (deficit) . . . . .	(498,359)	1,189,748		24,292									726,883
<b>Total equity and other credits . . . . .</b>	<b>(164,481)</b>	<b>1,305,917</b>	<b>259,101</b>	<b>355,685</b>	<b>1,462</b>	<b>500,005</b>	<b>11,202</b>		<b>8,255,294</b>				<b>10,524,185</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$3,257,813</b>	<b>\$1,808,689</b>	<b>\$259,101</b>	<b>\$524,847</b>	<b>\$61,773</b>	<b>\$590,131</b>	<b>\$24,271</b>		<b>\$8,255,294</b>				<b>\$15,475,632</b>

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

**CHIPPEWA LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 1998**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$2,937,783	\$491,525				\$3,429,308
Earnings on investments . . . . .	121,415					121,415
Extracurricular activities . . . . .		199,764				199,764
Classroom fees . . . . .		44,435				44,435
Other local revenues . . . . .	108,025				\$4,476	112,501
Intergovernmental - State . . . . .	3,911,597	357,746		\$532,731		4,802,074
Intergovernmental - Federal . . . . .		176,376				176,376
<b>Total revenue . . . . .</b>	<b>7,078,820</b>	<b>1,269,846</b>		<b>532,731</b>	<b>4,476</b>	<b>8,885,873</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	3,621,893	110,778		147,089		3,879,760
Special . . . . .	204,541	266,683				471,224
Vocational . . . . .	125,080					125,080
Other . . . . .	66,109					66,109
Support services:						
Pupil . . . . .	249,609	19,471			500	269,580
Instructional staff . . . . .	296,862	43,192				340,054
Board of Education . . . . .	12,444					12,444
Administration . . . . .	484,418	43,066				527,484
Fiscal . . . . .	116,786	7,632				124,418
Operations and maintenance . . . . .	718,659	12,435		158,439		889,533
Pupil transportation . . . . .	377,084	30,642				407,726
Central . . . . .	35,290				3,543	38,833
Community services . . . . .		20,507				20,507
Extracurricular activities . . . . .	178,441	218,370				396,811
Intergovernmental pass-through . . . . .		68,452				68,452
Debt service:						
Principal retirement . . . . .			\$34,347			34,347
Interest and fiscal charges . . . . .			12,420			12,420
<b>Total expenditures . . . . .</b>	<b>6,487,216</b>	<b>841,228</b>	<b>46,767</b>	<b>305,528</b>	<b>4,043</b>	<b>7,684,782</b>
Excess of revenues over (under) expenditures . . . . .	591,604	428,618	(46,767)	227,203	433	1,201,091
Other financing sources (uses):						
Operating transfers in . . . . .		87,000				87,000
Operating transfers out . . . . .	(87,000)					(87,000)
<b>Total other financing sources (uses) . . . . .</b>	<b>(87,000)</b>	<b>87,000</b>				<b>0</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .</b>	<b>504,604</b>	<b>515,618</b>	<b>(46,767)</b>	<b>227,203</b>	<b>433</b>	<b>1,201,091</b>
Fund balance (deficit), July 1 (restated) . . . . .	(669,085)	790,299	305,868	128,482	10,769	566,333
Fund balance (deficit), June 30 . . . . .	<u>(\$164,481)</u>	<u>\$1,305,917</u>	<u>\$259,101</u>	<u>\$355,685</u>	<u>\$11,202</u>	<u>\$1,767,424</u>

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

**CHIPPEWA LOCAL SCHOOL DISTRICT**  
 WAYNE COUNTY, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1998

	General			Special Revenue			Debt Services			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues</b>															
From local sources															
Taxes	\$2,665,578	\$2,704,720	\$39,142	\$398,863	\$449,984	\$51,121									
Earnings on investments	119,658	121,415	1,757												
Other local revenues	111,586	113,225	1,639	317,195	345,032	27,837									
Intergovernmental - State	3,853,178	3,909,759	56,581	317,104	357,746	40,642	\$145,000	\$532,730	\$387,730						
Intergovernmental - Federal				156,339	176,276	20,037									
Total revenues	6,750,000	6,849,119	99,119	1,069,501	1,229,138	159,637	145,000	532,730	387,730	7,984,501	8,610,987	626,486			
<b>Expenditures:</b>															
Current:															
Instruction	3,621,284	3,621,284	0	103,539	103,529	0	241,570	241,570	0	3,966,383	3,966,383	0			
Regular	199,150	199,150	0	264,539	264,539	0				463,689	463,689	0			
Special	124,766	124,766	0							124,766	124,766	0			
Vocational	77,239	77,239	0							77,239	77,239	0			
Other															
Support services:															
Pupil	255,502	255,502	0	42,235	42,235	0				297,737	297,737	0			
Instructional staff	298,666	298,666	0	47,277	47,277	0				345,943	345,943	0			
Board of Education	15,280	15,280	0							15,280	15,280	0			
Administration	564,623	564,623	0	42,836	42,836	0				607,459	607,459	0			
Fiscal	194,799	194,799	0	7,632	7,632	0				202,431	202,431	0			
Operations and maintenance	745,758	745,758	0	28,935	28,935	0	395,350	395,350	0	1,170,043	1,170,043	0			
Pupil transportation	421,624	421,624	0	30,642	30,642	0				452,266	452,266	0			
Central	35,290	35,290	0							35,290	35,290	0			
Community services				87,932	87,932	0				87,932	87,932	0			
Extracurricular activities	177,148	177,148	0	234,654	234,654	0				411,802	411,802	0			
Debt service:															
Principal retirement															
Interest and fiscal charges															
Total expenditures	6,731,129	6,731,129	0	890,211	890,211	0	46,767	46,767	0	636,920	636,920	0			
Excess of revenues over (under) expenditures	18,871	117,990	99,119	199,290	338,927	139,637	(46,767)	(46,767)	0	(491,920)	(104,190)	387,730	(320,526)	305,960	626,486
Other financing sources (uses):															
Operating transfers in				87,000	87,000	0	47,000	0	(47,000)				134,000	87,000	(47,000)
Operating transfers out	(87,000)	(87,000)	0							(87,000)	(87,000)	0			
Total other financing sources (uses)				87,000	87,000	0	47,000	0	(47,000)				47,000	0	(47,000)
Excess of revenues and other financing sources over (under) expenditures and other financing uses:	(68,129)	30,990	99,119	286,290	425,927	139,637	233	(46,767)	(47,000)	(491,920)	(104,190)	387,730	(273,526)	305,960	579,486
Fund balance, July 1	347,123	347,123	0	823,271	823,271	0	305,868	305,868	0	1,601,552	1,601,552	0	1,601,552	1,601,552	0
Prior year encumbrances appropriated	99,008	99,008	0	27,250	27,250	0	3,192	3,192	0	129,450	129,450	0	129,450	129,450	0
Fund balance, June 30	\$378,002	\$477,121	\$99,119	\$1,135,811	\$1,276,448	\$139,637	\$309,101	\$259,101	(\$47,000)	(\$363,438)	(\$24,292)	\$387,730	\$1,457,476	\$2,036,962	\$579,486

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

**CHIPPEWA LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1998**

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees . . . . .	\$73,700		\$73,700
Sales/charges for services . . . . .	257,426	\$566,895	824,321
Other operating revenues. . . . .		5,638	5,638
<b>Total operating revenues . . . . .</b>	<b>331,126</b>	<b>572,533</b>	<b>903,659</b>
Operating expenses:			
Personal services . . . . .	180,608	5,147	185,755
Contract services . . . . .	15,669	33,965	49,634
Materials and supplies . . . . .	272,215	11,339	283,554
Depreciation . . . . .	5,565		5,565
Claims expense . . . . .		463,513	463,513
Other operating expense . . . . .		64,579	64,579
<b>Total operating expenses . . . . .</b>	<b>474,057</b>	<b>578,543</b>	<b>1,052,600</b>
Operating loss . . . . .	(142,931)	(6,010)	(148,941)
Nonoperating revenues:			
Operating grants . . . . .	88,275	19,723	107,998
Federal commodities. . . . .	26,307		26,307
Interest revenue . . . . .		32,290	32,290
<b>Total nonoperating revenues . . . . .</b>	<b>114,582</b>	<b>52,013</b>	<b>166,595</b>
Net income (loss). . . . .	(28,349)	46,003	17,654
Retained earnings, July 1 . . . . .	29,811	454,002	483,813
Retained earnings, June 30 . . . . .	<u>\$1,462</u>	<u>\$500,005</u>	<u>\$501,467</u>

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

**CHIPPEWA LOCAL SCHOOL DISTRICT**  
**WAYNE COUNTY, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Cash flows from operating activities:</b>			
Cash received from tuition and fees . . . . .	\$73,738		\$73,738
Cash received from sales/service charges . . . . .	257,551	\$566,895	824,446
Cash received from other operations . . . . .		5,638	5,638
Cash payments for personal services . . . . .	(186,827)	(5,147)	(191,974)
Cash payments for contract services . . . . .	(15,580)	(33,965)	(49,545)
Cash payments for materials and supplies . . . . .	(241,173)	(12,193)	(253,366)
Cash payments for claims expenses . . . . .		(461,944)	(461,944)
Cash payments for other expenses . . . . .		(64,579)	(64,579)
Net cash used in operating activities . . . . .	<u>(112,291)</u>	<u>(5,295)</u>	<u>(117,586)</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants . . . . .	<u>88,275</u>	<u>19,723</u>	<u>107,998</u>
Net cash provided by noncapital financing activities . . . . .	<u>88,275</u>	<u>19,723</u>	<u>107,998</u>
<b>Cash flows from investing activities:</b>			
Interest received . . . . .		<u>32,290</u>	<u>32,290</u>
Net cash provided by investing activities . . . . .		<u>32,290</u>	<u>32,290</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(24,016)	46,718	22,702
Cash and cash equivalents at beginning of year . . . . .	59,920	543,413	603,333
Cash and cash equivalents at end of year . . . . .	<u>\$35,904</u>	<u>\$590,131</u>	<u>\$626,035</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating loss . . . . .	(\$142,931)	(\$6,010)	(\$148,941)
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>			
Depreciation . . . . .	5,565		5,565
Federal donated commodities . . . . .	26,307		26,307
<b>Changes in assets and liabilities:</b>			
Increase in supplies inventory . . . . .	(4,651)		(4,651)
Decrease in accounts receivable . . . . .	163		163
Increase in accounts payable . . . . .	8,194		8,194
Decrease in accrued wages & benefits . . . . .	(610)		(610)
Decrease in compensated absences payable . . . . .	(8,953)		(8,953)
Increase in pension obligation payable . . . . .	3,344		3,344
Increase in claims payable . . . . .		1,569	1,569
Increase (decrease) in deferred revenue . . . . .	1,281	(854)	427
Net cash used in operating activities . . . . .	<u>(\$112,291)</u>	<u>(\$5,295)</u>	<u>(\$117,586)</u>

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

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

The District currently ranks as the 344<sup>th</sup> largest in terms of total enrollment among the 612 districts in the State of Ohio. The District is staffed by 61 non-certificated employees and 98 certificated full-time teaching personnel who provide services to 1,588 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. The following organizations are described due to their relationship to the District.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

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

***JOINTLY GOVERNED ORGANIZATIONS:***

Midland Council of Governments

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

Wayne County Career Center

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

**B. Basis of Presentation - Fund Accounting**

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

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

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

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

*GOVERNMENTAL FUND TYPES:*

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

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

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

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

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

*PROPRIETARY FUND TYPES:*

Proprietary Funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's Proprietary Fund Types:

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

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

*FIDUCIARY FUND TYPES:*

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include an Expendable Trust Fund and Agency Funds. The Expendable Trust Fund is accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. At June 30, 1999, there were no Agency Fund accruals which, in other fund types, would be recognized in the combined balance sheet. Note 3C. describes Agency Fund accruals not recognized in the combined balance sheet at June 30, 1998.

*ACCOUNT GROUPS:*

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

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

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

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

**C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

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

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and 1998, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal years 2000 and 1999 operations, respectively, have been recorded as deferred revenue.

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

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

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function for the General Fund and at the fund level for the other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal years 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 express purpose of this budget document is to reflect the need for existing tax rates.

By no later than January 20, the Board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing years will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding years. The certificate may be further amended during the years if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal years 1999 and 1998.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Appropriations:*

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control for the General Fund and at the fund level which is the legal level for all other funds. Prior to the passage of the Annual Appropriation Resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, 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 at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. All supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the years for all funds other than Agency Funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal years end are reported as a reservation of fund balance for subsequent-years expenditures for Governmental Funds and reported in the notes to the general purpose financial statements for Proprietary Funds.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**E. Cash and Investments**

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

During fiscal years 1999 and 1998, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio) and a repurchase agreement.

The District has invested funds in the State Asset Treasury Reserve of Ohio (STAR Ohio) during fiscal years 1999 and 1998. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999 and 1998.

Under existing Ohio statute and Federal regulations, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal 1999 and 1998 totaled \$148,334 and \$121,415, respectively, which included \$115,627 and \$94,873, respectively, assigned from other funds of the District.

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

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

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

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

**F. Fixed Assets and Depreciation**

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

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

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

**G. Intergovernmental Revenues**

For Governmental Funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for Proprietary Fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems

Early Childhood Education

Title I

Title VI

Title VI-B

Auxiliary Services

Preschool

SchoolNet

Emergency Building Repair

Reimbursable Grants

Proprietary Funds

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

Grants and entitlements amounted to over 56 percent of the District's operating revenue during the 1999 fiscal year and 51 percent during the 1998 fiscal year.

**H. Compensated Absences**

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary Funds is recorded as an expense when earned.

**I. Accrued Liabilities and Long-Term Obligations**

In general, Governmental Fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from Governmental Funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than 60 days after year end are considered not to have been made with current available financial resources.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**J. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 1999 and 1998.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable and payable at June 30, 1999 and 1998.

An analysis of interfund transactions is presented in Note 5.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Fund Equity**

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepayments, debt service, tax revenue unavailable for appropriation and budget stabilization. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

Designated fund balance represents planned actions for additional monies set-aside by the District for budget stabilization.

**L. Prepaids**

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

**M. Parochial School**

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**N. Statutory Reserves**

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1998	\$ ---	\$ ---	\$ 43,206	\$ 43,206
Current year set-aside requirement	123,956	123,956	61,978	309,890
Additional set-aside by District	---	---	301,657	301,657
Current year offsets	(22,473)	---	---	(22,473)
Qualifying disbursements	<u>(101,483)</u>	<u>(123,956)</u>	<u>---</u>	<u>(225,439)</u>
Total	<u>---</u>	<u>---</u>	<u>406,841</u>	<u>406,841</u>
Cash balance carried forward to FY 2000	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$406,841</u>	<u>\$ 406,841</u>

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$105,184</u>
Total restricted assets	<u>\$105,184</u>

During fiscal year 1999, the District has elected to set-aside \$301,657 in excess of the statutory requirement for budget stabilization. This amount is reported as designated fund balance on the combined balance sheet.

Amounts remaining at year end that have been set-aside to satisfy statutory requirements must be represented by cash and should be presented as restricted assets on the balance sheet. Corresponding amounts should be reported as reserves of fund balance. Amounts remaining at year end that have been set-aside in excess of statutory requirements should be reported as designations.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

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

During fiscal year 1998, the District received a \$43,206 refund from the Bureau of Workers' Compensation which State statute required to be included in the budget stabilization reserve. This refund is presented as "other local revenue" in the accompanying financial statement for fiscal year 1998.

**O. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 1N. for statutory reserves.

**P. Estimates**

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

**Q. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**R. Total Columns on General Purpose Financial Statements**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, was implemented during fiscal 1998. In accordance with this statement, investments held at June 30, 1999 and 1998 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices. All investments not required to be reported at fair value are stated at cost. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 1997.

**B. Deficit Fund Balances/Retained Earnings**

Fund balance/retained earnings at June 30, 1999 and 1998 included the following individual fund deficits:

Fund	Deficit Fund Balance
<b>1999:</b>	
General	\$(407,581)
<u>Special Revenue</u>	
Title I	(106,235)
Disadvantaged Pupil Program	(894)
Title VI-B	(145,333)
<u>Capital Projects</u>	
Emergency Building Repair	(1,053)

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

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

<u>Fund</u>	<u>Deficit Fund Balance</u>
<b>1998:</b>	
General	\$(164,481)
 <u>Special Revenue</u>	
Title I	(11,581)
Disadvantaged Pupil Program	(844)
Title VI-B	(10,691)
 <u>Enterprise</u>	
Food service	(8,098)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end. These deficit balances are caused by the application of GAAP. These deficits will be eliminated by intergovernmental revenue and subsidies not recognized at June 30.

**C. Agency Funds**

The following are accruals for the agency funds, which, in another fund type, would be recognized in the combined balance sheet for fiscal year 1998:

<u>LIABILITIES</u>	
Accounts payable	\$2,000

**D. Prior Period Adjustment**

The District reported at June 30, 1997 an advance to other funds of \$50,263 in the General fund. The District reported at June 30, 1997 in the following Special Revenue funds, an advance from other funds of \$48,500 in the Title I fund and \$1,763 in the Title VI fund. The District has determined that these amounts will not be paid back in future periods. The effect of this correction at July 1, 1997 is as follows:

	Balance as Originally Presented June 30, 1997	Effect	Restated Balance July 1, 1997
General Fund	\$ (618,822)	\$ (50,263)	\$ (669,085)
Special Revenue Funds	740,036	50,263	790,299

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**E. Budgetary Noncompliance**

The following funds had appropriations plus encumbrances in excess of estimated resources contrary to section 5705.39 Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
<b>1999:</b>	
<u>General Fund</u>	\$290,437
<u>Special Revenue Funds:</u>	
Public School Support-Hazel Harvey Elementary	18,546
Athletic	28,870
Disadvantaged Pupils	11,796
Title VI - B	20,682
<u>Capital Projects Funds:</u>	
Capital Improvement	21,773
School Net	11,073
Emergency Building Repair	343,568
<u>Enterprise Fund:</u>	
Uniform School Supplies	34,454
<b>1998:</b>	
<u>Special Revenue Funds:</u>	
Athletic	\$ 10,253
Title VI - B	80,786
Title I	18,874
<u>Capital Projects Funds:</u>	
Emergency Building Repair	395,350
<u>Enterprise Funds:</u>	
Food Service	1,979
Uniform School Supplies	9,109

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code at June 30, 1999:

<u>Fund Type/Fund/Function/Object</u>	<u>Excess</u>
<u>General Fund:</u>	
<u>Regular Instruction:</u>	
Fringe Benefits	\$ 3,145
Purchased Services	1,633
Supplies and Material	34,226
Capital Outlay	20,361
Capital Outlay-Replacement	11,450
<u>Vocational Instruction:</u>	
Capital Outlay-Replacement	519
<u>Pupils:</u>	
Purchased Services	6,193
Supplies and Materials	1,165
<u>Instructional Staff:</u>	
Fringe Benefits	556
Supplies and Materials	4,049
Capital Outlay	228
<u>Board of Education:</u>	
Purchased Services	199
<u>Administration:</u>	
Fringe Benefits	1,323
Supplies and Materials	2,151
<u>Fiscal:</u>	
Fringe Benefits	745
Purchased Services	124

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

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

<u>Fund Type/Fund/Function/Object</u>	<u>Excess</u>
<u>General Fund - (Continued):</u>	
<u>Operations and Maintenance:</u>	
Fringe Benefits	\$ 3,392
Purchased Services	30,101
Supplies and Materials	2,717
<u>Pupil Transportation:</u>	
Fringe Benefits	4,522
Purchased Services	155
Supplies and Materials	6,866
Capital Outlay	154
Capital Outlay-Replacement	654
<u>Special Revenue Funds:</u>	
Public School Support-High School	237
Public School Support-Hazel Harvey Elementary	12,775
Early Childhood Education	26,755
Title VI-B	48,341
Title I	34,210
<u>Expendable Trust Fund:</u>	
Special Trust	2,139
<u>Internal Service Fund:</u>	
Rotary	9,104

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

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

*Cash with fiscal agent:* The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 1999 and 1998, was \$605,120 and \$570,678, respectively.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

*Deposits:* At June 30, 1999 and 1998, the carrying amount of the District's deposits was \$(484,755) and \$(57,421), respectively, and the bank balance was \$34,897 and \$197,568, respectively. The District did not record a liability due to the "zero balance" nature of the account. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". Of the bank balance:

Category 1 - \$34,897 and \$100,224, respectively, was covered by federal depository insurance; and

Category 3 - \$0 and \$97,344, respectively, was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
<b>1999:</b>		
GASB Statement No. 9	\$ 3,240,682	\$ ---
Investments of the Cash Management Pool:		
Investment in STAR Ohio	(3,119,427)	3,119,427
Repurchase Agreement	(890)	890
Cash with Fiscal Agent	<u>(605,120)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ (484,755)</u>	<u>\$3,120,317</u>
	<u>Category of Risk 3</u>	<u>Fair Value</u>
Repurchase Agreements	\$ 890	\$ 890
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool	<u>N/A</u>	<u>3,119,427</u>
<b>Total Investments</b>	<u>\$ 890</u>	<u>\$3,120,317</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
<b>1998:</b>		
GASB Statement No. 9	\$ 3,323,432	\$ ---
Investments of the Cash Management Pool:		
Investment in STAROhio	(2,810,175)	2,810,175
Cash with Fiscal Agent	<u>(570,678)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ (57,421)</u>	<u>\$2,810,175</u>
	<u>Category of Risk</u> 3	<u>Fair Value</u>
Not Subject to Categorization:		
Investment in State Treasurer's Investment Pool	<u>N/A</u>	<u>\$2,810,175</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. The following is a summarized breakdown of the District's operating transfers for fiscal year 1998:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>1998:</b>		
General Fund	\$ ---	\$87,000
<u>Special Revenue Funds</u>		
Title VI-B	70,000	---
Title I	<u>17,000</u>	<u>---</u>
Totals	<u>\$87,000</u>	<u>\$87,000</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

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

**B. Interfund Loans Payable/Receivable**

Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
<u>Special Revenue Funds</u>		
Title VI-B	\$ ---	\$(142,000)
Title I	---	(94,000)
Emergency Levy Fund	<u>236,000</u>	<u>---</u>
 Total Interfund Loans	 <u>\$236,000</u>	 <u>\$(236,000)</u>

**NOTE 6 - PROPERTY TAXES**

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, 1999 and 1998, are available to finance fiscal years 1999 and 1998 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999 and 1998. Although total property tax collections for the next fiscal years are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 and 1998, was \$124,714 and \$256,945, respectively, in the General fund and \$20,901 and \$45,907, respectively, in the Emergency Levy special revenue fund.

Taxes available for advance and recognized as revenue but not received by the district prior to June 30, 1999 and 1998, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

The assessed value upon which the 1998 and 1997 taxes were collected was \$120,047,665 and \$115,408,525, respectively. Agricultural/Residential and public utility/minerals real estate represented 79.97% or \$96,004,060 of the total for 1998 taxes and 80.7% or \$93,236,520 of the total for 1997 taxes; Commercial & industrial real estate represented 6.23% or \$7,474,780 of the total for 1998 taxes and 5.9% or \$6,797,600 of the total for 1997 taxes, Public utility tangible represented 10.74% or \$12,897,620 of the total for 1998 taxes and 10.5% or \$11,976,720 of total for 1997 taxes and General tangible property represented 3.06% or \$3,671,205 of the total for 1998 taxes and 2.9% or \$3,397,685 of the total for 1997 taxes. The voted general tax rate at the fiscal years ended June 30, 1999 and 1998 was \$37.70 and \$41.90 per \$1,000.00 of assessed valuation for operations, respectively.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999 and 1998, consisted of taxes, accounts (billings for user charged services and student fees), interfund loans, and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal years). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of receivables follows:

**1999:**

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$2,828,809
<u>Special Revenue Funds</u>	
Taxes - current & delinquent	474,087
Accounts	23,617
Interfund loans	236,000
<u>Enterprise Funds</u>	
Accounts	17,059
Due from other governments	12,529

**1998:**

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$2,716,801
<u>Special Revenue Fund</u>	
Taxes - current & delinquent	454,440

**NOTE 8 - FIXED ASSETS**

A summary of the Enterprise Funds' fixed assets at June 30, 1999 and 1998, as follows:

	<u>1999</u>	<u>1998</u>
Furniture and equipment	\$ 259,183	\$ 258,509
Less: accumulated depreciation	<u>(251,516)</u>	<u>(249,613)</u>
Net fixed assets	<u>\$ 7,667</u>	<u>\$ 8,896</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

**NOTE 8 - FIXED ASSETS - (Continued)**

A summary of the changes in general fixed assets during fiscal years 1999 and 1998 as follows:

<u>Asset Category</u>	<u>Balance July 1,</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30,</u>
<b>1999:</b>				
Land and improvements	\$ 622,314	\$ ---	\$ ---	\$ 622,314
Buildings and improvements	4,432,445	---	---	4,432,445
Furniture, fixtures and equipment	2,448,354	187,749	---	2,636,103
Vehicles	752,181	165,693	---	917,874
Construction in progress	<u>---</u>	<u>458,832</u>	<u>---</u>	<u>458,832</u>
<b>Totals</b>	<b><u>\$8,255,294</u></b>	<b><u>\$812,274</u></b>	<b><u>\$---</u></b>	<b><u>\$9,067,568</u></b>
<b>1998:</b>				
Land and improvements	\$ 622,314	\$ ---	\$ ---	\$ 622,314
Buildings and improvements	4,431,083	1,362	---	4,432,445
Furniture, fixtures and equipment	2,155,490	292,864	---	2,448,354
Vehicles	<u>775,570</u>	<u>13,100</u>	<u>36,489</u>	<u>752,181</u>
<b>Totals</b>	<b><u>\$7,984,457</u></b>	<b><u>\$307,326</u></b>	<b><u>\$36,489</u></b>	<b><u>\$8,255,294</u></b>

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. The changes in the District's long-term obligations during fiscal years 1999 and 1998 were as follows:

	<u>Principal Outstanding July 1,</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding June 30,</u>
<b>1999:</b>				
Energy conservation note payable	\$141,918	\$ 63,909	\$ (36,936)	\$104,982
Pension obligation	52,899	---	(52,899)	63,909
Compensated absences	<u>498,896</u>	<u>84,313</u>	<u>(17,849)</u>	<u>565,360</u>
<b>Total</b>	<b><u>\$693,713</u></b>	<b><u>\$148,222</u></b>	<b><u>\$(107,684)</u></b>	<b><u>\$734,251</u></b>

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

	Principal Outstanding <u>July 1,</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>June 30,</u>
<b>1998:</b>				
Energy conservation note payable	\$176,265	\$ ---	\$(34,347)	\$141,918
Pension obligation	50,536	52,899	(50,536)	52,899
Compensated absences	<u>439,809</u>	<u>59,087</u>	<u>---</u>	<u>498,896</u>
<b>Total</b>	<u>\$666,610</u>	<u>\$111,986</u>	<u>\$(84,883)</u>	<u>\$693,713</u>

During fiscal year 1993, the District issued an energy conservation note to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements. These notes bear an interest rate of 7.4% and mature on July 15, 2002.

Payments of principal and interest relating to the energy conservation notes payable are recorded as expenditures in the debt service fund. The unmatured obligation at year end is accounted for in the General Long-Term Obligations Account Group.

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

**B.** Principal and interest requirements to retire the energy conservation note outstanding at June 30, 1999, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 39,720	\$ 7,047	\$ 46,767
2001	42,713	4,054	46,767
2002	<u>22,549</u>	<u>834</u>	<u>23,383</u>
<b>Total</b>	<u>\$104,982</u>	<u>\$11,935</u>	<u>\$116,917</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 1999 and 1998 are a voted debt margin of \$11,016,624 and \$10,645,868, respectively and an unvoted debt margin of \$120,048 and \$115,409, respectively.

**NOTE 10 - EMPLOYEE BENEFITS**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of fifteen days per year for all personnel. The total lifetime maximum sick leave accumulation is 240 days for certified personnel and 237 days for classified personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 56 days during fiscal year 1999 and 55 days during fiscal year 1998 for certified employees and classified employees.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal years 1999 and 1998, the District contracted with Harcum - Hyre Insurance Company for property and general liability insurance for boiler coverage. During fiscal years 1999 and 1998 liability coverage is limited to \$2,000,000 per claim and the boiler and property insurance carries a limitation of \$23,437,200 in the aggregate with a \$1,000 deductible.

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**NOTE 11 - RISK MANAGEMENT - (Continued)**

For fiscal years 1999 and 1998 vehicles are covered by Harcum - Hyre Insurance Company and hold a \$100 deductible for collision. Automobile liability coverage has a \$1,000,000 limit for collision, a \$1,000,000 limit per accident for bodily injury and a \$3,000 limit for medical payments.

Settled claims have not exceeded this commercial coverage in any of the past three years.

**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 \$40,000 per individual per year. The claims liability, reported in the internal service fund, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, as amended by GASB Statement No. 30, Risk Financing Omnibus, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past three fiscal years is as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
1999	\$90,126	\$496,838	\$(542,658)	\$44,306
1998	88,557	463,513	(461,944)	90,126
1997	68,825	554,087	(534,355)	88,557

**C. Worker's Compensation**

For fiscal years 1999 and 1998, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal years ended June 30, 1999 and 1998.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
<b>1999:</b>			
Operating revenues	\$284,151	\$75,494	\$359,645
Operating expenses less depreciation	355,835	73,039	428,874
Depreciation expense	1,903	---	1,903
Operating income (loss)	(73,587)	2,455	(71,132)
Donated commodities	35,833	---	35,833
Operating grants	69,101	---	69,101
Net income	32,008	2,455	34,463
Net working capital	25,293	12,015	37,308
Fixed assets - net	7,667	---	7,667
Total assets	70,779	27,694	98,473
Total liabilities	46,869	15,679	62,548
Total equity	23,910	12,015	35,925
Encumbrances outstanding at June 30, 1999	9,487	26,280	35,767

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS - (Continued)**

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
<b>1998:</b>			
Operating revenues	\$257,426	\$73,700	\$331,126
Operating expenses less depreciation	378,958	89,534	468,492
Depreciation expense	5,565	---	5,565
Operating loss	(127,097)	(15,834)	(142,931)
Donated commodities	26,307	---	26,307
Operating grants	88,275	---	88,275
Net loss	(12,515)	(15,834)	(28,349)
Net working capital	(7,043)	9,560	2,517
Fixed assets - net	8,896	---	8,896
Total assets	40,515	21,258	61,773
Total liabilities	48,613	11,698	60,311
Total equity	(8,098)	9,560	1,462
Encumbrances outstanding at June 30, 1998	687	20,853	21,540

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board (SERB). SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered salary; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$167,406, \$140,832, and \$131,944, respectively. Of the contribution requirement, 50 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$83,712, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered salary; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$554,447, \$536,412, and \$472,251, respectively. Of the contribution requirement, 82 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$98,452 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

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

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, five members of the Board of Education have elected social security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled \$316,827 during fiscal 1999 and \$134,103 during fiscal 1998.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998 and \$1.860 billion at June 30, 1997. For the year ended June 30, 1998 and 1997, net health care costs paid by STRS were \$219.224 million and \$192.077 million, respectively, and STRS had 91,999 and 88,718 eligible benefit recipients, respectively.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

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

For fiscal years 1999 and 1998, employer contributions to fund health care benefits were 4.98 percent and 4.21 percent of covered payroll, respectively. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal years 1999 and 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 and 1997, were \$111.900 million and \$97.429 million, respectively, and the target level was \$139.9 million and \$121.8 million, respectively. At June 30, 1998 and 1997, SERS had net assets available for payment of health care benefits of \$160.3 million and \$146.4 million, respectively. SERS has approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$72,199 during the 1999 fiscal year and \$53,879 during the 1998 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

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

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

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

All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>1999:</b>				
Budget Basis	\$ (79,033)	\$250,372	\$(46,767)	\$(496,771)
Revenue Accruals	(134,633)	(1,666)	---	---
Expenditure Accruals	(217,025)	2,381	---	162,145
Encumbrances	<u>187,591</u>	<u>47,895</u>	<u>---</u>	<u>4,268</u>
GAAP Basis	<u>\$(243,100)</u>	<u>\$298,982</u>	<u>\$(46,767)</u>	<u>\$(330,358)</u>
<b>1998:</b>				
Budget Basis	\$ 30,990	\$425,927	\$(46,767)	\$(104,190)
Revenue Accruals	229,701	40,708	---	1
Expenditure Accruals	185,829	(28,541)	---	(169,163)
Encumbrances	<u>58,084</u>	<u>77,524</u>	<u>---</u>	<u>500,555</u>
GAAP Basis	<u>\$504,604</u>	<u>\$515,618</u>	<u>\$(46,767)</u>	<u>\$227,203</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

**B. Litigation**

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

**C. State School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal years ended June 30, 1999 and 1998, the District received \$3,915,783 and \$3,720,028, respectively, of total school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

**NOTE 16 - CONTINGENCIES - (Continued)**

As of the date of these financial statements, the District is unable to determine what effect if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NOTE 17 - YEAR 2000 ISSUE**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System [EMIS]).

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits and the State of Ohio Equipment Inventory System for its fixed assets accounting. The State is responsible for remediating these systems.

*A letter dated February 19, 1998, from the Ohio Department of Education, Division of Information Management Services, State Software Development Team, addressed to All Users of the OECN State Software and Interested Parties, provided the following concerning the status of the OECN State Software in regards to the compliance requirements for the Year 2000.*

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.
- The accounting software supported with the OECN State Software will be compliant with the Year 2000, beginning with the June 1998 release of USAS V6.1.
- The education management information system software supported with the OECN State Software will be compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

**NOTE 17 - YEAR 2000 ISSUE - (Continued)**

Wayne County collects property taxes for distribution to the District. Wayne County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 20, 2000, the government has experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

# TRIMBLE, JULIAN & GRUBE, INC.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Education  
Chippewa Local School District  
257 High Street  
Doylestown, Ohio 44230

We have audited the general purpose financial statements of Chippewa Local School District as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated January 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Chippewa Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-50534-001 and 1999-50534-002. We also noted certain immaterial instances of noncompliance, which we have reported to management of Chippewa Local School District in a separate letter dated January 20, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chippewa Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Chippewa Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-50534-001 and 1999-50534-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Chippewa Local School District in a separate letter dated January 20, 2000.

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

*Trimble, Julian & Grube, Inc.*

Trimble, Julian & Grube, Inc.  
January 20, 2000

# SCHEDULE OF FINDINGS

## Chippewa Local School District Wayne County June 30, 1999 and 1998

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	1999-50534-001
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Ohio Revised Code Section 5705.39 in part requires that the total appropriation plus encumbrances from each fund should not exceed total estimated resources.

It was noted during the audit that the total appropriations plus encumbrances exceeded the total estimated resources for the following funds:

<u>Fund Type/ Fund</u>	<u>Estimated Resources</u>	<u>Appropriations Plus Encumbrances</u>	<u>Excess</u>
<b>1999:</b>			
General Fund	\$7,552,121	\$7,842,558	\$290,437
<u>Special Revenue Funds:</u>			
Public School Support -			
Hazel Harvey Elementary	49,314	67,860	18,546
Athletic	91,954	120,824	28,870
Disadvantaged Pupils	---	11,796	11,796
Title VI - B	73,074	93,756	20,682
<u>Capital Projects Funds:</u>			
Capital Improvement	---	21,773	21,773
School Net	169,206	180,279	11,073
Emergency Building Repair	104,736	448,304	343,568
<u>Enterprise Fund:</u>			
Uniform School Supplies	75,406	109,860	34,454
<b>1998:</b>			
<u>Special Revenue Funds:</u>			
Athletic	\$97,827	\$108,080	\$10,253
Title VI - B	71,338	152,124	80,786
Title I	93,034	111,208	18,174
<u>Capital Projects Funds:</u>			
Emergency Building Repair	---	395,350	395,350
<u>Enterprise Funds:</u>			
Food Service	361,193	363,172	1,979
Uniform School Supplies	92,838	101,947	9,109

## SCHEDULE OF FINDINGS

### Chippewa Local School District Wayne County June 30, 1999 and 1998

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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With appropriations plus encumbrances exceeding estimated resources, the District is spending monies not lawfully appropriated for those purposes and this could cause a fund deficit.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring appropriations throughout the fiscal year and amending the estimated resources as necessary.

Finding Number	1999-50534-002
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Ohio Revised Code Section 5705.41 requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the District had expenditures plus encumbrances in excess of appropriations in the following funds during 1999:

<u>Fund Type/ Fund/ Function/Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>General Fund:</u>			
<u>Regular Instruction:</u>			
Fringe Benefits	\$ 705,674	\$ 708,819	\$ 3,145
Purchased Services	18,607	20,240	1,633
Supplies and Materials	124,236	158,462	34,226
Capital Outlay	33,038	53,399	20,361
Capital Outlay-Replacement	12,869	24,319	11,450
<u>Vocational Instruction:</u>			
Capital Outlay-Replacement	-	519	519
<u>Pupils:</u>			
Purchased Services	16,628	22,821	6,193
Supplies and Materials	1,503	2,668	1,165
<u>Instructional Staff:</u>			
Fringe Benefits	73,151	73,707	556
Supplies and Materials	8,609	12,658	4,049
Capital Outlay	2,111	2,339	228
<u>Board of Education:</u>			
Purchased Services	1,378	1,577	199
<u>Administration:</u>			
Fringe Benefits	97,349	98,672	1,323
Supplies and Materials	16,557	18,708	2,151

**SCHEDULE OF FINDINGS**

**Chippewa Local School District  
Wayne County  
June 30, 1999 and 1998**

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

<u>Fund Type/ Fund/ Function/Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>General Fund - (Continued):</u>			
<u>Fiscal:</u>			
Fringe Benefits	22,242	22,987	745
Purchased Services	8,109	8,233	124
<u>Operations and Maintenance:</u>			
Fringe Benefits	82,280	85,672	3,392
Purchased Services	438,445	468,546	30,101
Supplies and Materials	59,034	61,751	2,717
<u>Pupil Transportation:</u>			
Fringe Benefits	94,065	98,587	4,522
Purchased Services	22,032	22,187	155
Supplies and Materials	69,527	76,393	6,866
Capital Outlay	54,662	54,816	154
Capital Outlay-Replacement	111,031	111,685	654
<u>Special Revenue Funds:</u>			
Public School Support - High School	1,900	2,137	237
Public School Support - Hazel Harvey Elementary	67,860	80,635	12,775
Early Childhood Education	46,007	72,762	26,755
Title VI-B	93,756	142,097	48,341
Title I	87,901	122,111	34,210
<u>Expendable Trust Fund:</u>			
Special Trust	2,564	4,703	2,139
<u>Internal Service Fund:</u>			
Rotary	1,265	10,369	9,104

With expenditures plus encumbrances exceeding appropriations, the District is unlawfully expending monies that have not been approved.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continued basis and making appropriation amendments as necessary.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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CHIPPEWA LOCAL SCHOOL DISTRICT

WAYNE COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*

Date: FEBRUARY 22, 2000