

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2000***

STEVEN WORKMAN, TREASURER



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

We have reviewed the independent auditor's report of the Chippewa Local School District, Wayne County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 1999 through June 30, 2000. 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

March 15, 2002

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

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Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the Chippewa Local School District, Wayne County, (the "District") as of and for the fiscal year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Chippewa Local School District, Wayne County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
February 14, 2002

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	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	
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash and cash equivalents	\$835,794	\$1,325,116	\$212,334	\$1,000	\$49,097	\$4,473	\$28,790			\$2,456,604
Cash with fiscal agent						628,381				628,381
Receivables (net of allowances of uncollectibles):										
Property taxes - current & delinquent	3,303,254	484,560								3,787,814
Accounts	238	1,126			270					1,634
Prepayments	4,407									4,407
Materials and supplies inventory					18,601					18,601
Restricted assets:										
Equity in pooled cash and cash equivalents	168,629									168,629
Property, plant and equipment (net of accumulated depreciation where applicable)					6,761			\$9,177,637		9,184,398
OTHER DEBITS:										
Amount available in Debt Service Fund									\$65,262	65,262
Amount to be provided for retirement of General Long-Term Obligations									582,118	582,118
Total assets and other debits	\$4,312,322	\$1,810,802	\$212,334	\$1,000	\$74,729	\$632,854	\$28,790	\$9,177,637	\$647,380	\$16,897,848

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, 2000

	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			
LIABILITIES, EQUITY AND OTHER CREDITS												
LIABILITIES:												
Accounts payable	\$51,923	\$15,430		\$230	\$2,123	\$77						\$69,783
Accrued wages and benefits	726,464	57,106			14,943							798,513
Compensated absences payable	6,487				10,028					\$515,681		532,196
Pension obligation payable	115,774	9,390			10,787	147,733				66,437		202,388
Claims payable												147,733
Deferred revenue	3,199,291	469,310			7,830			\$8,240				3,676,431
Due to other governments								11,215				8,240
Due to students												11,215
Energy conservation notes payable										65,262		65,262
Total liabilities	4,099,939	551,236		230	45,711	147,810		19,455		647,380		5,511,761
EQUITY AND OTHER CREDITS:												
Investment in general fixed assets												
Retained earnings: unreserved					29,018	485,044						9,177,637
Fund balances:									\$9,177,637			514,062
Reserved for encumbrances	362,053	18,036										380,089
Reserved for prepayments	4,407											4,407
Reserved for debt service												65,262
Reserved for tax revenue unavailable for appropriation	103,963	15,250										119,213
Reserved for budget stabilization	168,629											168,629
Designated for budget stabilization	238,212											238,212
Unreserved-undesignated	(664,881)	1,226,280		770				9,335				718,576
Total equity and other credits	212,383	1,259,566		770	29,018	485,044		9,335		9,177,637		11,386,087
Total liabilities, equity and other credits	\$4,312,322	\$1,810,802		\$1,000	\$74,729	\$632,854		\$28,790		\$9,177,637		\$16,897,848

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

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES/(DEFICIT)
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$2,929,721	\$482,045				\$3,411,766
Tuition	3,175					3,175
Earnings on investments	167,266					167,266
Extracurricular		226,841			\$2,837	229,678
Other local revenues	119,597	29,161				148,758
Intergovernmental - State	4,512,167	396,163		\$51,000		4,959,330
Intergovernmental - Federal		319,707				319,707
Total revenues	7,731,926	1,453,917		51,000	2,837	9,239,680
Expenditures:						
Current:						
Instruction:						
Regular	3,952,216	145,856		4,837		4,102,909
Special	219,232	368,526				587,758
Vocational	119,831					119,831
Other	297,809					297,809
Support services:						
Pupil	302,533	13,231			500	316,264
Instructional staff	328,726	67,261				395,987
Board of Education	16,367					16,367
Administration	811,985	57,503				869,488
Fiscal	211,106	8,390				219,496
Operations and maintenance	888,135	24,301		70,720		983,156
Pupil transportation	338,068	127,869				465,937
Central	51,405				3,479	54,884
Community services		102,196				102,196
Extracurricular activities	192,582	193,617				386,199
Facilities services	25,700					25,700
Debt Service:						
Principal retirement			\$39,720			39,720
Interest and fiscal charges			7,047			7,047
Total expenditures	7,755,695	1,108,750	46,767	75,557	3,979	8,990,748
Excess of revenues over (under) expenditures	(23,769)	345,167	(46,767)	(24,557)	(1,142)	248,932
Other financing sources (uses):						
Operating transfers in	750,000	59,500	46,767			856,267
Operating transfers (out)	(106,267)	(750,000)				(856,267)
Total other financing sources (uses)	643,733	(690,500)	46,767			0
Excess of revenues and other financing sources over (under) expenditures and other financing uses	619,964	(345,333)	0	(24,557)	(1,142)	248,932
Fund balances (Deficit), July 1	(407,581)	1,604,899	212,334	25,327	10,477	1,445,456
Fund balances, June 30	\$212,383	\$1,259,566	\$212,334	\$770	\$9,335	\$1,694,388

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 FISCAL YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Debt Service			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)
Revenues:															
From local sources:															
Tuition.....	\$2,476,102	\$2,976,470	\$500,368	\$368,151	\$464,302	\$96,151									
2,641	3,175	534													
Earnings on investments.....	140,636	169,056	28,420												
Other local revenues.....	99,694	119,840	20,146												
Other revenue.....															
3,732,008	4,486,169	754,161	367,041	462,902	95,861	2,466									
Intergovernmental - State.....															
Intergovernmental - Federal.....															
Total revenues.....	6,451,081	7,754,710	1,303,629	1,193,831	1,505,615	311,794									
Expenditures:															
Current:															
Instruction:															
Regular.....	4,358,403	4,116,283	242,120	169,028	157,850	11,178									
Special.....	239,365	230,161	9,204	353,194	338,457	14,737									
Vocational.....	134,499	128,827	5,672												
Other.....	339,847	326,722	13,125												
Support services:															
Pupil.....	336,042	313,376	22,666	15,542	14,514	1,028									
Instructional staff.....	368,496	345,483	23,013	73,663	68,792	4,871									
Board of Education.....	17,775	16,851	924												
Administration.....	891,512	849,232	42,280	62,600	58,460	4,140									
Fiscal.....	229,184	219,679	9,505	8,984	8,390	594									
Operations and maintenance.....	1,128,720	1,030,136	98,584	26,022	24,301	1,721									
Pupil transportation.....	561,549	528,046	33,503	136,923	127,868	9,055									
Central.....	53,461	51,405	2,056												
Community services.....															
Extracurricular activities.....	190,433	183,107	7,326	117,277	109,522	7,755									
Facilities services.....	161,028	160,000	1,028	229,256	214,095	15,161									
Debt service:															
Principal retirement.....															
Interest and fiscal charges.....															
Total expenditures.....	9,010,314	8,499,308	511,006	1,192,489	1,122,249	70,240									
Excess (deficiency) of revenues over expenditures.....	(2,559,233)	(744,598)	1,814,635	1,332	383,366	951,269									
Other financing sources (uses):															
Operating transfers in.....	623,919	750,000	126,081	47,178	59,500	12,322									
Operating transfers (out).....	(110,517)	(106,267)	4,250	(803,108)	(750,000)	53,108									
Total other financing sources (uses).....	513,402	643,733	130,331	(755,930)	(690,500)	65,430									
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses).....	(2,045,831)	(100,865)	1,944,966	(754,598)	(307,134)	447,464									
Fund balances, July 1.....	456,172	456,172	0	1,604,344	1,604,344	0									
Prior year encumbrances appropriated.....	187,591	187,591	0	47,895	47,895	0									
Fund balances, June 30.....	(\$1,402,068)	\$542,898	\$1,944,966	\$897,641	\$1,345,105	\$447,464									

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 FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees	\$77,472		\$77,472
Sales/charges for services	264,790	\$701,141	965,931
Other operating revenues		26,540	26,540
Total operating revenues	342,262	727,681	1,069,943
Operating expenses:			
Personal services	161,115	6,862	167,977
Contract services	15,469	130,708	146,177
Materials and supplies	291,438	21,163	312,601
Depreciation	1,955		1,955
Claims expense		710,058	710,058
Total operating expenses	469,977	868,791	1,338,768
Operating loss	(127,715)	(141,110)	(268,825)
Nonoperating revenues:			
Operating grants	82,990	6,554	89,544
Federal commodities	34,682		34,682
Interest revenue	3,136	39,781	42,917
Total nonoperating revenues	120,808	46,335	167,143
Net loss	(6,907)	(94,775)	(101,682)
Retained earnings, July 1	35,925	579,819	615,744
Retained earnings, June 30	<u>\$29,018</u>	<u>\$485,044</u>	<u>\$514,062</u>

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

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$77,349		\$77,349
Cash received from sales/service charges	281,702	\$701,141	982,843
Cash received from other operations		26,540	26,540
Cash payments for personal services	(163,701)	(6,862)	(170,563)
Cash payments for contract services	(15,724)	(130,708)	(146,432)
Cash payments supplies and materials	(272,771)	(21,337)	(294,108)
Cash payments for claims expenses		(606,631)	(606,631)
Net cash used in operating activities	(93,145)	(37,857)	(131,002)
Cash flows from noncapital financing activities:			
Cash received from operating grants	95,519	6,554	102,073
Net cash provided by noncapital financing activities	95,519	6,554	102,073
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,049)		(1,049)
Net cash used in capital and related financing activities	(1,049)		(1,049)
Cash flows from investing activities:			
Interest received	3,136	39,781	42,917
Net cash provided by investing activities	3,136	39,781	42,917
Net increase in cash and cash equivalents	4,461	8,478	12,939
Cash and cash equivalents at beginning of year	44,636	624,376	669,012
Cash and cash equivalents at end of year	<u>\$49,097</u>	<u>\$632,854</u>	<u>\$681,951</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	(\$127,715)	(\$141,110)	(\$268,825)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	1,955		1,955
Federal donated commodities	34,682		34,682
Changes in assets and liabilities:			
Increase in supplies inventory	(2,019)		(2,019)
Decrease in accounts receivable	16,789		16,789
Decrease in accounts payable	(14,113)	(174)	(14,287)
Decrease in accrued wages & benefits	(1,588)		(1,588)
Increase in compensated absences payable	978		978
Decrease in pension obligation payable	(1,976)		(1,976)
Increase in claims payable		103,427	103,427
Decrease in deferred revenue	(138)		(138)
Net cash used in operating activities	<u>(\$93,145)</u>	<u>(\$37,857)</u>	<u>(\$131,002)</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 FISCAL YEAR ENDED JUNE 30, 2000**

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 359th largest in terms of total enrollment among the 660 districts in the State of Ohio. The District is staffed by 70 non-certificated employees and 109 certificated full-time teaching personnel who provide services to 1,583 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 FISCAL YEAR ENDED JUNE 30, 2000

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, 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 Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool (See Note 11.C). The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Basis of Presentation - Fund Accounting

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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

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

GOVERNMENTAL FUND TYPES:

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

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

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

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

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 FISCAL YEAR ENDED JUNE 30, 2000

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, 2000, there were no Agency Fund accruals which, in other fund types, would be recognized in the combined balance sheet.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

ACCOUNT GROUPS:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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

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.

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, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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 these levels may only be made by resolution of the Board of Education.

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 year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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 year 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 year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2000.

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 for the General Fund and at the fund level for all other funds, which are the legal levels of budgetary control. 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 the levels of control for the general fund and at fund level for all other funds. Any revisions that alter fund, function, object for the general fund or fund level for all other funds, 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. There was one supplemental appropriation amendment legally enacted during the fiscal year.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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 year 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 year end are reported as a reservation of fund balance for subsequent-year expenditures for Governmental Funds and reported in the notes to the general purpose financial statements for Proprietary Funds.

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" (both unrestricted and restricted) on the combined balance sheet.

During fiscal year 2000, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement.

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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, 2000.

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 2000 totaled \$167,266 which included \$103,316 assigned from other funds of the District and interest revenue credited to the Food Service Fund and Self Insurance Fund during fiscal 2000 totaled \$3,136 and \$39,781, respectively.

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

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

F. Fixed Assets and Depreciation

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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.

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

<p><u>Entitlements</u></p> <p><u>General Fund</u></p> <p>State Foundation Program</p> <p>State Property Tax Relief</p> <p><u>Special Revenue Funds</u></p> <p>State Property Tax Relief</p> <p><u>Non-Reimbursable Grants</u></p> <p><u>Special Revenue Funds</u></p> <p>Education Management Information Systems</p> <p>Early Childhood Education</p> <p>Title I</p> <p>Title II</p> <p>Title VI-B</p>	<p><u>Non-Reimbursable Grants - (Continued)</u></p> <p><u>Special Revenue Funds - (Continued)</u></p> <p>Auxillary Services</p> <p>Preschool</p> <p>EESA/NDEA</p> <p><u>Capital Projects Funds</u></p> <p>SchoolNet</p> <p>Emergency Building Repair</p> <p><u>Reimbursable Grants</u></p> <p><u>Proprietary Funds</u></p> <p>National School Lunch Program</p> <p>Federal Donated Commodities</p>
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Grants and entitlements amounted to over 51 percent of the District's operating revenue during the 2000 fiscal year.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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.

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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, energy conservation notes, compensated absences, and contractually required pension contributions that will be paid from Governmental Funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than 60 days after year end are considered not to have been made with current available financial resources.

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

J. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable and payable at June 30, 2000.
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, 2000.

An analysis of interfund transactions is presented in Note 5.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

L. Prepayments

Prepayments for Governmental Funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At 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
WAYNE COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization Reserve</u>	<u>Designated for Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999	\$ 0	\$ 0	\$105,184	\$301,657
Current year set-aside requirement	190,335	190,335	63,445	
Reclassification of budget set-aside				(63,445)
Current year qualifying expenditures	<u>(192,360)</u>	<u>(592,533)</u>	_____	_____
Total	<u>(2,025)</u>	<u>(402,198)</u>	<u>168,629</u>	<u>238,212</u>
Cash balance carry forward to FY 2001	<u>\$ (2,025)</u>	<u>\$(402,198)</u>	<u>\$168,629</u>	<u>\$238,212</u>

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$168,629</u>
Total restricted assets	<u>\$168,629</u>

During the prior fiscal year, the District 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. In fiscal year 2000, the District chose to reclassify \$63,445 from the designated fund balance to restricted fund balance to satisfy the required addition to the budget stabilization reserve.

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
WAYNE COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

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

O. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set-aside to establish a budget stabilization and other reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. Fund balance reserves have also been established. See Note 2.N. for statutory reserves. Cash is not restricted for designations of fund balance, because designations are not required by statute, and may be changed or eliminated at management's discretion.

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. Total Columns on General Purpose Financial Statements

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2000 included the following individual fund deficits:

<u>Fund</u>	<u>Deficit Fund Balance</u>
<u>Special Revenue Funds</u>	
Title I	\$(16,066)
Disadvantaged Pupil Program	(446)
Title VI-B	(18,933)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the Title I, Disadvantaged Pupil Program and Title VI-B special revenue funds are caused by accruing wage and benefit obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

B. Prior Period Adjustment

At July 1, 1999, the District presented a restatement of interfund transactions. The District determined that interfund loans made during the year ended June 30, 1999, would not be repaid and should be re-classified as transfers. The interfund transactions consisted of transfers from the Emergency Levy Fund to the Title I and Title VI-B Funds in the amount of \$236,000. Since these transfers occurred between Special Revenue Funds, the prior period adjustment has no effect on fund balance.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Statutory Noncompliance

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

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

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
General Fund	General Fund	\$1,402,068
Special Revenue	Disadvantaged Pupil	104,838
Special Revenue	Management Info. System	35,794
Special Revenue	Ohio Reads	355,718
Special Revenue	State Miscellaneous Grants	39,824
Special Revenue	Title VI-B	132,823
Special Revenue	Title I	47,170
Capital Projects	Capital Improvement	871
Enterprise	Uniform School Supplies	28,760
Enterprise	Food Service	45,123

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

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

<u>Fund Type</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Capital Projects	Emergency Repair	\$ 50,000	\$ 51,696	\$1,696

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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;

**CHIPPEWA LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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, 2000, was \$628,381.

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

Deposits: At year end, the carrying amount of the District's deposits was \$(142,628) and the bank balance was \$52,955. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The entire bank balance was covered by federal depository insurance.

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.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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

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

	Category of Risk 3	Fair Value
Repurchase Agreements	\$398,210	\$ 398,210
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool	N/A	2,369,651
Total Investments	\$398,210	\$2,767,861

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 3,253,614	
Investments of the Cash		
Management Pool:		
Investment in STAR Ohio	(2,369,651)	\$2,369,651
Repurchase Agreement	(398,210)	398,210
Cash with Fiscal Agent	(628,381)	
GASB Statement No. 3	\$ (142,628)	\$2,767,861

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for 2000:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$750,000	\$(106,267)
Debt Service Fund	46,767	
<u>Special Revenue Funds</u>		
Emergency Levy		(750,000)
Early Childhood Education	4,500	
Title VI-B	<u>55,000</u>	
Total Transfers In/Transfers Out	<u>\$856,267</u>	<u>\$(856,267)</u>

NOTE 6 - PROPERTY TAXES

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Wayne County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$103,963 in the General fund and \$15,250 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, 2000, 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 values upon which the fiscal year 2000 taxes were collected are as follows:

	<u>1999 Second-Half Collections</u>		<u>2000 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$103,478,840	86.20	\$115,579,380	86.69
Public Utility Personal	12,897,620	10.74	13,226,810	9.92
Tangible Personal Property	<u>3,671,205</u>	<u>3.06</u>	<u>4,516,610</u>	<u>3.39</u>
	<u>\$120,047,665</u>	<u>100.00</u>	<u>\$133,322,800</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations		\$37.70		\$36.90

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). 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:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$3,303,254
<u>Special Revenue Funds</u>	
Taxes - current & delinquent	484,560

NOTE 8 - FIXED ASSETS

A summary of the Enterprise Funds' fixed assets at June 30, 2000 follows:

Furniture and equipment	\$ 260,232
Less: accumulated depreciation	<u>(253,471)</u>
Net fixed assets	<u>\$ 6,761</u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

<u>Asset Category</u>	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2000</u>
Land and improvements	\$ 622,314	\$ 25,700		\$ 648,014
Buildings and improvements	4,432,445	458,832		4,891,277
Furniture, fixtures and equipment	2,636,103	101,233	\$ (16,864)	2,720,472
Vehicles	917,874			917,874
Construction in progress	<u>458,832</u>	<u> </u>	<u>(458,832)</u>	<u>0</u>
Totals	<u>\$9,067,568</u>	<u>\$585,765</u>	<u>\$(475,696)</u>	<u>\$9,177,637</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 9 - LONG-TERM OBLIGATIONS

- A. The changes in the District's long-term obligations during fiscal year 2000 were as follows:

	<u>Principal Outstanding July 1, 1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding June 30, 2000</u>
Compensated absences	\$565,360		\$ (49,679)	\$ 515,681
Pension obligation	63,909	\$66,437	(63,909)	66,437
Energy conservation notes payable	<u>104,982</u>	_____	<u>(39,720)</u>	<u>65,262</u>
Total	<u>\$734,251</u>	<u>\$66,437</u>	<u>\$(153,308)</u>	<u>\$647,380</u>

During fiscal year 1993, the District issued energy conservation notes 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, 2001.

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 notes outstanding at June 30, 2000 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$42,713	\$4,054	\$46,767
2002	<u>22,549</u>	<u>834</u>	<u>23,383</u>
Total	<u>\$65,262</u>	<u>\$4,888</u>	<u>\$70,150</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$12,211,386 (including available funds of \$212,334), an unvoted debt margin of \$133,323, and an unvoted energy conservation debt margin of \$1,134,643.

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 55 days for certified employees and classified employees.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the District contracted with Harcum - Hyre Insurance Company for property and general liability insurance for boiler coverage. Liability coverage is limited to \$2,000,000 per claim and the boiler and property insurance carries a limitation of \$23,437,200 in the aggregate with a \$1,000 deductible.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 11 - RISK MANAGEMENT - (Continued)

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. There was no significant reduction in coverage from the prior fiscal year.

B. Employee Health Insurance

Major medical, hospitalization, dental, life, and/or disability coverage is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of several school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The plan is administered through OME-RESA and provides stop loss protection of \$40,000 per individual per year. The claims liability of \$147,733 reported in the internal service fund at June 30, 2000 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, as amended by GASB Statement No. 30, Risk Financing Omnibus, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the current and past 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>
2000	\$44,306	\$710,058	\$(606,631)	\$147,733
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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Worker's Compensation

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 12 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 264,790	\$77,472	\$ 342,262
Operating expenses less depreciation	383,836	84,186	468,022
Depreciation expense	1,955		1,955
Operating loss	(121,001)	(6,714)	(127,715)
Nonoperating revenues:			
Donated commodities	34,682		34,682
Operating grants	82,990		82,990
Net loss	(193)	(6,714)	(6,907)
Net working capital	26,984	5,301	32,285
Fixed assets - additions	1,049		1,049
Total assets	67,375	7,354	74,729
Long-term liabilities payable from current revenues	10,028		10,028
Total equity	23,717	5,301	29,018
Encumbrances outstanding at June 30, 2000	37,664	3,304	40,968

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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, 300 East Broad Street, Columbus, Ohio 43215-3634.

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; 5.55 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, 2000, 1999, and 1998 were \$166,338, \$167,406, and \$140,832, respectively. At June 30, 2000, of the contribution requirement, 49 percent had been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. At June 30, 2000, \$84,972, represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group. These amounts were paid subsequent to the Balance Sheet date.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2000, 1999, and 1998 were \$607,121, \$554,447, and \$536,412, respectively. At June 30, 2000, of the contribution requirement, 84 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. At June 30, 2000, \$99,672 represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds. These amounts were paid subsequent to the Balance Sheet date.

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, 2000, 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, 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$346,926 during fiscal 2000.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 billion at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and there were 95,796 eligible benefit recipients.

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.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. 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 year 2000, 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 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$126,380,984 million and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million, and there were approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$119,558 during the 2000 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:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

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

All Governmental Fund Types

	General	Special Revenue	Capital Projects
Budget Basis	\$(100,865)	\$(307,134)	\$(31,344)
Revenue Accruals	(22,784)	(51,698)	50,000
Expenditure Accruals	329,637	(16,512)	(43,213)
Encumbrances	413,976	30,011	---
GAAP Basis	\$ 619,964	\$(345,333)	\$(24,557)

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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, 2000.

B. Litigation

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

C. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 16 - CONTINGENCIES - (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 14, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

SUPPLEMENTAL DATA

**CHIPPEWA LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Nutrition Cluster:				
(A) (B) Food Distribution	10.550	N/A		\$34,682
(A) (C) National School Lunch Program	10.555	N/A	\$91,431	
Total Nutrition Cluster and U.S. Department of Agriculture			91,431	34,682
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Title I - Local Educational Agencies	84.010	050534-C1-S1-99	92,418	
Title I - Local Educational Agencies	84.010	050534-C1-S1-00	17,559	
Total Title I - Local Educational Agencies			109,977	
Title VI-B - Education of the Handicapped Act	84.027	050534-6B-SF-99P	54,863	
Title VI-B - Education of the Handicapped Act	84.027	050534-6B-SF-00P	88,147	
Total Title VI-B - Education of the Handicapped			143,010	
Innovative Education Program Strategies - Title II	84.298	049429-C2-S1-00	2,590	
Total U. S. Department of Education			255,577	
Total Federal Financial Assistance			\$347,008	\$34,682

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

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Telephone 614.846.1899
Facsimile 614.846.2799

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

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

We have audited the general purpose financial statements of Chippewa Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated February 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Chippewa Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our 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 2000-CLSD-001 and 2000-CLSD-002. We also noted certain immaterial instances of noncompliance that we have reported to management of Chippewa Local School District in a separate letter dated February 14, 2002.

Board of Education
Chippewa Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chippewa Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of Chippewa Local School District in a separate letter dated February 14, 2002.

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

Trimble, Julian & Grube, Inc.
February 14, 2002

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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

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

Compliance

We have audited the compliance of Chippewa Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each major federal program for the fiscal year ended June 30, 2000. Chippewa Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of Chippewa Local School District's management. Our responsibility is to express an opinion on Chippewa Local School District's compliance based on our audit.

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

Board of Education
Chippewa Local School District

In our opinion, Chippewa Local School District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the year ended June 30, 2000.

However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2000-CLSD-003.

Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.
February 14, 2002

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2000**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2000**

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

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

Finding Number	2000-CLSD-001
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Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

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

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
General Fund	General Fund	\$1,402,068
Special Revenue	Disadvantaged Pupil	104,838
Special Revenue	Management Info. System	35,794
Special Revenue	Ohio Reads	355,718
Special Revenue	State Miscellaneous Grants	39,824
Special Revenue	Title VI-B	132,823
Special Revenue	Title I	47,170
Capital Projects	Capital Improvement	871
Enterprise	Food Service	45,123
Enterprise	Uniform School Supplies	28,760

With appropriations exceeding estimated resources, the District is spending monies that are not lawfully appropriated for those purposes and thus could cause a fund deficit.

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2000**

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

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

Finding Number	2000-CLSD-002
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

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

<u>3 Fund Type</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Capital Projects	Emergency Repair	\$50,000	\$51,696	\$1,696

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

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2000**

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Audit Requirement

Finding Number	2000-CLSD-003
CFDA Title and Number	N/A
Federal Award Number/Year	N/A
Federal Agency	N/A
Pass-Through Agency	Ohio Department of Education

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$300,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year.

The District expended \$381,690 in federal awards in fiscal year 2000 and did not have an annual Single Audit conducted until fiscal year 2001.

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2000**

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u>; <i>Explain:</i>
1999-50534-001	Ohio Revised Code Section 5705.39	No	The District Treasurer is attempting to make improvements.
1999-50534-002	Ohio Revised code Section 5705.41B	No	The District Treasurer is attempting to make improvements.



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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 2, 2002**