

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

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001***

STEVEN WORKMAN, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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, 2000 through June 30, 2001. 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, 2001, 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, 2001, 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.

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, 2001

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Long-Term Obligations	
								Fixed Assets		
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash and cash equivalents	\$938,214	\$966,619	\$259,101	\$19,656	\$90,234	\$2,191	\$26,800			\$2,302,815
Cash with fiscal agent						548,377				548,377
Receivables (net of allowances of uncollectibles):										
Property taxes - current & delinquent	3,399,695	483,840			374					3,883,535
Accounts	852	207								1,433
Prepayments	5,392									5,392
Materials and supplies inventory					15,619					15,619
Property, plant and equipment (net of accumulated depreciation where applicable)					4,806			\$9,511,691		9,516,497
Restricted assets:										
Equity in pooled cash and cash equivalents	43,205									43,205
OTHER DEBITS:										
Amount available in debt service fund								\$22,549		22,549
Amount to be provided for retirement of General long-term obligations								531,447		531,447
Total assets and other debits	\$4,387,358	\$1,450,666	\$259,101	\$19,656	\$111,033	\$550,568	\$26,800	\$9,511,691	\$553,996	\$16,870,869

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, 2001

	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	\$80,844	\$10,005		\$213		\$252					\$91,314
Accrued wages and benefits	730,290	48,758		17,660							796,708
Compensated absences payable	10,744			11,095					\$456,250		478,089
Pension obligation payable	127,256	10,646		13,068		125,327			75,197		226,167
Claims payable											125,327
Deferred revenue	2,760,180	392,825		7,100							3,160,105
Due to other governments	5,526						\$8,240				13,766
Due to students							10,139				10,139
Energy conservation notes payable									22,549		22,549
Total liabilities	3,714,840	462,234		49,136		125,579	18,379		553,996		4,924,164
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets								\$9,511,691			9,511,691
Retained earnings: unreserved											486,886
Fund balances:											
Reserved for encumbrances	82,490	34,504		\$17,069							134,063
Reserved for prepayments	5,392										5,392
Reserved for debt service			\$22,549								22,549
Reserved for tax revenue unavailable for appropriation	639,515	91,015									730,530
Restricted for BWC	43,205										43,205
Designated for budget stabilization	363,636										363,636
Unreserved-undesignated	(461,720)	862,913		2,587			8,421				648,753
Total equity and other credits	672,518	988,432		61,897		424,989	8,421				11,946,705
Total liabilities, equity and other credits	\$4,387,358	\$1,450,666		\$19,656		\$550,568	\$26,800		\$9,511,691		\$16,870,869

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

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$3,577,052	\$513,308				\$4,090,360
Extracurricular		226,841			\$2,909	229,750
Earnings on investments	183,432					183,432
Other local revenues	96,855	38,341				135,196
Other revenue		6,661				6,661
Intergovernmental - State	4,746,892	368,693		\$65,000		5,180,585
Intergovernmental - Federal		131,397				131,397
Total revenues	8,604,231	1,285,241		65,000	2,909	9,957,381
Expenditures:						
Current:						
Instruction:						
Regular	4,022,980	103,197		46,114		4,172,291
Special	372,853	326,772				699,625
Vocational	120,123					120,123
Other	281,743					281,743
Support services:						
Pupil	342,444	26,491			500	369,435
Instructional staff	396,416	65,227				461,643
Board of Education	17,136					17,136
Administration	737,149	58,609				795,758
Fiscal	205,074	7,786				212,860
Operations and maintenance	1,094,515	18,705				1,113,220
Pupil transportation	632,056	46,213				678,269
Central	53,620					53,620
Community services		111,448			3,323	114,771
Extracurricular activities	204,358	208,927				413,285
Facilities services	157,479					157,479
Debt Service:						
Principal retirement			\$42,713			42,713
Interest and fiscal charges			4,054			4,054
Total expenditures	8,637,946	973,375	46,767	46,114	3,823	9,708,025
Excess of revenues over (under) expenditures	(33,715)	311,866	(46,767)	18,886	(914)	249,356
Other financing sources (uses):						
Proceeds from sale of assets	4,384					4,384
Operating transfers in	800,000	217,000	93,534			1,110,534
Operating transfers (out)	(310,534)	(800,000)				(1,110,534)
Total other financing sources (uses)	493,850	(583,000)	93,534			4,384
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	460,135	(271,134)	46,767	18,886	(914)	253,740
Fund balances, July 1	212,383	1,259,566	212,334	770	9,335	1,694,388
Fund balances, June 30	\$672,518	\$988,432	\$259,101	\$19,656	\$8,421	\$1,948,128

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, 2001

	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:															
Taxes.....	\$3,145,600	\$3,041,500	(\$104,100)	\$462,874	\$437,543	(\$25,331)									
Earnings on investments.....	155,683	191,732	36,049												
Other local revenues.....	61,621	96,241	34,620												
Other revenue.....															
Intergovernmental - State.....	3,944,500	4,746,892	802,392												
Intergovernmental - Federal.....															
Total revenues.....	7,307,404	8,076,365	768,961	883,860	1,210,869	327,009									
Expenditures:															
Current:															
Instruction:															
Regular.....	4,052,321	4,038,605	13,716	120,065	114,235	5,830									
Special.....	365,550	365,306	44	352,299	335,191	17,108									
Vocational.....	112,201	112,201	0												
Other.....	260,364	282,357	(21,993)												
Support services:															
Pupil.....	351,444	341,576	9,868	29,908	28,456	1,452									
Instructional staff.....	406,158	396,037	10,121	79,180	75,335	3,845									
Board of Education.....	17,041	17,041	0												
Administration.....	779,783	776,859	2,924	59,968	57,056	2,912									
Fiscal.....	207,681	203,249	4,432	8,183	7,786	397									
Operations and maintenance.....	1,221,428	1,160,796	60,632	20,710	19,704	1,006									
Pupil transportation.....	820,550	642,612	177,938	48,572	46,213	2,359									
Central.....	53,803	53,804	(1)												
Community services.....															
Extracurricular activities.....	200,332	200,331	1	124,559	118,320	6,039									
Facilities services.....	291,779	157,479	134,300	239,735	228,093	11,642									
Debt service:															
Principal retirement.....															
Interest and fiscal charges.....															
Total expenditures.....	9,140,235	8,748,253	391,982	1,082,979	1,030,389	52,590									
Excess of revenues over (under) expenditures.....	(1,832,831)	(671,888)	1,160,943	(199,119)	180,480	379,599									
Other financing sources (uses):															
Operating transfers in.....	663,958	800,000	136,042	117,915	217,000	99,085									
Operating transfers (out).....	(310,534)	(310,534)	0	(840,852)	(800,000)	40,852									
Sale of Fixed Assets.....	3,638	4,384	746												
Total other financing sources (uses).....	357,062	493,850	136,788	(722,937)	(583,000)	139,917									
Excess of revenues and other financing sources over (under) expenditures and other financing (uses).....	(1,475,769)	(178,038)	1,297,731	(922,056)	(402,520)	519,516									
Fund balances, July 1.....	542,898	542,898	0	1,345,105	1,345,105	0									
Prior year encumbrances appropriated.....	413,976	413,976	0	30,011	30,011	0									
Fund balances, June 30.....	(\$518,895)	\$778,836	\$1,297,731	\$453,080	\$972,596	\$519,516									

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, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees	\$90,096		\$90,096
Sales/charges for services	304,098	\$841,902	1,146,000
Other operating revenues		25,944	25,944
	<u>394,194</u>	<u>867,846</u>	<u>1,262,040</u>
Total operating revenues			
Operating expenses:			
Personal services	186,469	7,496	193,965
Contract services	17,633	142,221	159,854
Materials and supplies	258,945	10,560	269,505
Depreciation	1,955		1,955
Claims expense		800,892	800,892
	<u>465,002</u>	<u>961,169</u>	<u>1,426,171</u>
Total operating expenses			
Operating loss	(70,808)	(93,323)	(164,131)
Nonoperating revenues:			
Operating grants	76,627	8,103	84,730
Federal commodities	22,910		22,910
Interest revenue	4,150	25,165	29,315
	<u>103,687</u>	<u>33,268</u>	<u>136,955</u>
Total nonoperating revenues			
Net income (loss)	32,879	(60,055)	(27,176)
Retained earnings, July 1	29,018	485,044	514,062
Retained earnings, June 30	<u>\$61,897</u>	<u>\$424,989</u>	<u>\$486,886</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, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$89,992		\$89,992
Cash received from sales/service charges	304,098	\$841,902	1,146,000
Cash received from other operations.		25,944	25,944
Cash payments for personal services.	(180,404)	(7,496)	(187,900)
Cash payments for contract services	(19,743)	(142,221)	(161,964)
Cash payments supplies and materials	(233,583)	(10,385)	(243,968)
Cash payments for claims expenses		(823,298)	(823,298)
Net cash used in operating activities	(39,640)	(115,554)	(155,194)
Cash flows from noncapital financing activities:			
Cash received from operating grants	76,627	8,103	84,730
Net cash provided by noncapital financing activities.	76,627	8,103	84,730
Cash flows from investing activities:			
Interest received	4,150	25,165	29,315
Net cash provided by investing activities.	4,150	25,165	29,315
Net increase (decrease) in cash and cash equivalents.	41,137	(82,286)	(41,149)
Cash and cash equivalents at beginning of year	49,097	632,854	681,951
Cash and cash equivalents at end of year	<u>\$90,234</u>	<u>\$550,568</u>	<u>\$640,802</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss.	(\$70,808)	(\$93,323)	(\$164,131)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	1,955		1,955
Federal donated commodities	22,910		22,910
Changes in assets and liabilities:			
Decrease in supplies inventory.	2,982		2,982
Increase in accounts receivable	(104)		(104)
Increase (decrease) in accounts payable	(1,910)	175	(1,735)
Increase in accrued wages & benefits	2,717		2,717
Increase in compensated absences payable.	1,067		1,067
Increase in pension obligation payable.	2,281		2,281
Decrease in claims payable.		(22,406)	(22,406)
Decrease in deferred revenue.	(730)		(730)
Net cash used in operating activities	<u>(\$39,640)</u>	<u>(\$115,554)</u>	<u>(\$155,194)</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, 2001**

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 682 public and community school districts in the state) in terms of enrollment. The District is staffed by 77 non-certificated employees and 112 certificated full-time teaching personnel who provide services to 1,566 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, 2001

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. 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, 2001

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, 2001

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, 2001, 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, 2001

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, 2001**

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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

D. Budgetary Process

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

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

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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing 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 2001.

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, 2001

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 the 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" on the combined balance sheet.

During fiscal year 2001, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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.

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, 2001.

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 2001 totaled \$183,432, which included \$102,339 assigned from other funds of the District and interest revenue credited to the Food Service Fund and Self Insurance Fund during fiscal 2001 totaled \$4,150 and \$25,165, 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
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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. 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.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

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.

H. 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.

I. 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.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”. The District did not have short-term interfund loans receivable and payable at June 30, 2001.
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, 2001.

An analysis of interfund transactions is presented in Note 5.

J. 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 Bureau of Workers Compensation (BWC) refunds. 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.

K. Prepaids

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

L. 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.

M. 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, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Restricted BWC Refunds</u>	<u>Reserved Budget Stabilization</u>	<u>Designated Budget Stabilization</u>
Set-aside cash balance as of July 1, 2000	\$ (2,025)	\$(402,198)	\$ 0	\$ 168,629	\$238,212
Current year set-aside requirement	197,487	197,487			
Reclassification of budget stabilization			43,205	(168,629)	125,424
Current year qualifying expenditures	<u>(272,005)</u>	<u>(680,743)</u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>(76,543)</u>	<u>(885,454)</u>	<u>43,205</u>	<u>0</u>	<u>363,636</u>
Cash balance carried forward to FY 2002	<u>\$ (76,543)</u>	<u>\$(885,454)</u>	<u>\$43,205</u>	<u>\$ 0</u>	<u>\$363,636</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve. Further, via Board Resolution, the District elected to maintain its budget stabilization amount at June 30, 2001.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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.

A schedule of the restricted assets at June 30, 2001 follows:

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

N. 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.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A fund balance reserve has also been established.

P. 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, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Deficit Fund Balances

Fund balances at June 30, 2001 included the following individual fund deficits:

<u>Fund</u>	<u>Deficit Fund Balance</u>
<u>Special Revenue Funds</u>	
Title I	\$(117,715)
Disadvantaged Pupil Program	(504)
Title VI-B	(122,859)
Early Childhood Education	(3,875)
Title VI	(7,453)
Miscellaneous Federal Grants	(65)

These deficits, caused by the application of generally accepted accounting principles, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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	General Fund	\$518,895
Special Revenue	District Managed Student Activities	779
Special Revenue	Auxiliary Services	1,420
Special Revenue	Early Childhood	16,197
Special Revenue	Preschool Grant	12,584
Special Revenue	Eisenhower	4,468
Special Revenue	Title VI-B	120,261
Special Revenue	Title I	31,715
Special Revenue	Drug-Free	1,621
Special Revenue	Miscellaneous Federal Grants	6,674
Enterprise	Food Service	41,055

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

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

<u>Fund Type</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue	Ohio Reads	\$0	\$14,208	\$14,208

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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, 2001**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (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
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

Cash with fiscal agent: The District's self insurance reserves are on deposit with 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, 2001 was \$548,377.

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 \$4,095 and the bank balance was \$54,215. 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.

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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

	Category of Risk 3	Fair Value
Repurchase Agreements	\$217,307	\$ 217,307
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool		2,124,618
Total Investments	<u>\$217,307</u>	<u>\$2,341,925</u>

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	\$ 2,894,397	
Investments of the Cash		
Management Pool:		
Investment in STAR Ohio	(2,124,618)	\$2,124,618
Repurchase Agreement	(217,307)	217,307
Cash with Fiscal Agent	(548,377)	
GASB Statement No. 3	<u>\$ 4,095</u>	<u>\$2,341,925</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for 2001:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ 800,000	\$ (310,534)
<u>Special Revenue Funds</u>		
Emergency Levy		(800,000)
Title VI-B	103,000	
Title I	105,000	
Title VI	<u>9,000</u>	
Total Special Revenue Funds	<u>217,000</u>	<u>(800,000)</u>
Debt Service Fund	<u>93,534</u>	<u>0</u>
Total Transfers	<u>\$1,110,534</u>	<u>\$(1,110,534)</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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 6 - PROPERTY TAXES - (Continued)

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

The District receives property taxes from Wayne County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 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, 2001. 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, 2001, was \$639,515 in the General fund and \$91,015 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, 2001, 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2001 taxes were collected are as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$115,579,380	86.69	\$117,925,210	86.21
Public Utility Personal	13,226,810	9.92	13,798,600	10.09
Tangible Personal Property	4,516,610	3.39	5,060,145	3.70
	<u>\$133,322,800</u>	<u>100.00</u>	<u>\$136,783,955</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations		\$36.90		\$36.90

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, 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	\$3,399,695
<u>Special Revenue Funds</u>	
Taxes - current & delinquent	483,840

NOTE 8 - FIXED ASSETS

A summary of the Enterprise Funds' fixed assets at June 30, 2001 follows:

Furniture and equipment	\$ 260,232
Less: accumulated depreciation	(255,426)
Net fixed assets	<u>\$ 4,806</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 8 - FIXED ASSETS - (Continued)

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
Land and improvements	\$ 648,014	\$135,525		\$ 783,539
Buildings and improvements	4,891,277			4,891,277
Furniture, fixtures and equipment	2,720,472	147,278	\$ (18,021)	2,849,729
Vehicles	<u>917,874</u>	<u>168,441</u>	<u>(99,169)</u>	<u>987,146</u>
Totals	<u>\$9,177,637</u>	<u>\$451,244</u>	<u>\$(117,190)</u>	<u>\$9,511,691</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. The changes in the District's long-term obligations during fiscal year 2001 were as follows:

	<u>Principal Outstanding July 1, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding June 30, 2001</u>
Compensated absences	\$515,681	\$ 38,276	\$ (97,707)	\$456,250
Pension obligation	66,437	75,197	(66,437)	75,197
Energy conservation notes payable	<u>65,262</u>	<u> </u>	<u>(42,713)</u>	<u>22,549</u>
Total	<u>\$647,380</u>	<u>\$113,473</u>	<u>\$(206,857)</u>	<u>\$553,996</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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 2001 are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	<u>\$22,549</u>	<u>\$834</u>	<u>\$23,383</u>
Total	<u>\$22,549</u>	<u>\$834</u>	<u>\$23,383</u>

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, 2001 are a voted debt margin of \$12,569,657 (including available funds of \$259,101), an unvoted debt margin of \$136,784, and an unvoted energy conservation debt margin of \$1,208,507.

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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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 2001, 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.

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 \$125,327 reported in the internal service fund at June 30, 2001 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>
2001	\$147,733	\$800,892	\$(823,298)	\$125,327
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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 11 - RISK MANAGEMENT - (Continued)

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

C. Worker's Compensation

For fiscal year 2001, 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, 2001

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, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$304,098	\$90,096	\$394,194
Operating expenses less depreciation	396,763	66,284	463,047
Depreciation expense	1,955		1,955
Operating income (loss)	(94,620)	23,812	(70,808)
Nonoperating revenues:			
Donated commodities	22,910		22,910
Operating grants	76,627		76,627
Net income	9,067	23,812	32,879
Net working capital	39,073	29,113	68,186
Total assets	81,920	29,113	111,033
Long-term liabilities payable from current revenues	11,095		11,095
Total equity	32,784	29,113	61,897
Encumbrances outstanding at June 30, 2001	35,309	4,013	39,322

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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; 4.2 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, 2001, 2000, and 1999 were \$205,332, \$166,338, and \$167,406, respectively. Of the contribution requirement, 53 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$96,708, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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; 9.5 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, 2001, 2000, and 1999 were \$628,146, \$607,121, and \$554,447, respectively. Of the contribution requirement, 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$108,872 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2001, 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 STRS, and to retired non-certified employees and their dependents through 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, 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$201,904 during fiscal 2001.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 net health care costs paid by STRS were \$283.137 million and there were 99,011 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 9.8 percent of covered payroll, an increase from 8.45 percent for fiscal year 2000. 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 2001, 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% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$164,259 during the 2001 fiscal year.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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	\$(178,038)	\$(402,520)	\$ 1,587
Revenue Accruals	527,866	74,372	
Expenditure Accruals	(53,027)	12,516	230
Encumbrances	163,334	44,498	17,069
GAAP Basis	\$ 460,135	\$(271,134)	\$18,886

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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, 2001.

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. 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:

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, 2001**

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 and reconsideration will have on its future State funding and on its financial operations.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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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, 2001, 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 test 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 2001-CLSD-001 and 2001-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 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 does not require inclusion in this report, that we have reported to the 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 Chippewa Local School District, Wayne County, and is not intended to be and should not be used by anyone other than these specified parties.

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2001**

SCHEDULE OF FINDINGS

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

Finding Number	2001-CLSD-001
----------------	---------------

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

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

<u>Fund Type</u>	<u>Fund</u>	<u>Excess Amount</u>
General	General Fund	\$518,895
Special Revenue	District Managed Student Activities	779
Special Revenue	Auxiliary Services	1,420
Special Revenue	Early Childhood	16,197
Special Revenue	Preschool Grant	12,584
Special Revenue	Eisenhower	4,468
Special Revenue	Title VI-B	120,261
Special Revenue	Title I	31,715
Special Revenue	Drug-Free	1,621
Special Revenue	Miscellaneous Federal Grants	6,674
Enterprise	Food Service	41,055

With appropriations exceeding estimated resources, the District is spending monies that are not lawfully appropriated for those purposes and thus 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, 2001**

SCHEDULE OF FINDINGS

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

Finding Number	2001-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 funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue	Ohio Reads	\$0	\$14,208	\$14,208

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.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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**