



Dave Yost • Auditor of State



**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Chippewa Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Chippewa Local School District, Wayne County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 22, 2013

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The management's discussion and analysis of the Chippewa Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities increased \$848,567, which represents an 8.00% increase from fiscal year 2011.
- General revenues accounted for \$11,306,850 or 86.67% of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$1,739,760 or 13.33% of total revenues of \$13,046,610.
- The District had \$12,198,043 in expenses related to governmental activities; \$1,739,760 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,306,850 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$11,225,051 in revenues and \$10,294,141 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance increased \$930,910 from \$5,494,815 to \$6,425,725.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District's internal service fund accounts for insurance benefits. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its programs which are private in purpose. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for other governments and individuals. These activities are reported in the agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 23-24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-50 of this report.

**The District as a Whole**

The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	<b>Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2012</u>	<u>2011</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 14,301,730	\$ 13,218,786
Capital assets, net	<u>2,673,338</u>	<u>2,856,768</u>
Total assets	<u>16,975,068</u>	<u>16,075,554</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,944,907	4,871,569
Long-term liabilities	<u>575,404</u>	<u>597,795</u>
Total liabilities	<u>5,520,311</u>	<u>5,469,364</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	2,673,338	2,856,768
Restricted	299,228	873,377
Unrestricted	<u>8,482,191</u>	<u>6,876,045</u>
Total net assets	<u>\$ 11,454,757</u>	<u>\$ 10,606,190</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$11,454,757. At year-end, unrestricted net assets were \$8,482,191.

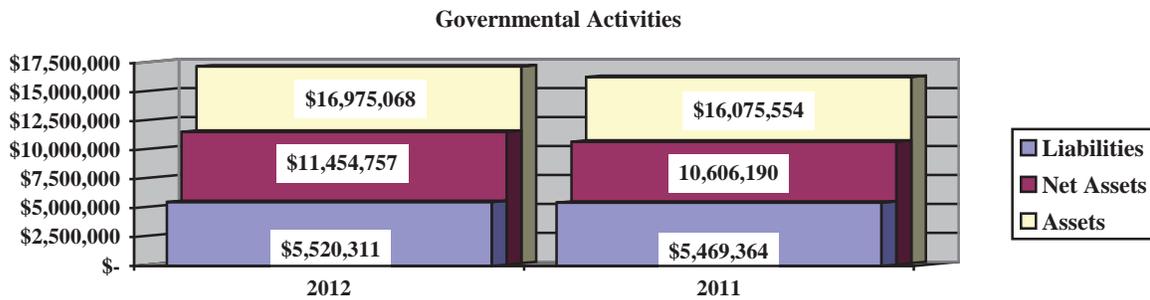
**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

At year-end, capital assets represented 15.75% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and furniture, vehicles, library books and construction in progress. At June 30, 2012, the amount invested in capital assets, was \$2,673,338. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$299,228, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$8,482,191.

The graph below illustrates the District's assets, liabilities and net assets at June 30, 2012 and June 30, 2011.



The table below shows the change in net assets for fiscal years 2012 and 2011.

	<b>Change in Net Assets</b>	
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 615,494	\$ 582,985
Operating grants and contributions	1,124,266	2,003,233
General revenues:		
Property taxes	4,214,004	3,747,404
School district income taxes	1,888,141	1,720,361
Grants and entitlements	5,136,185	5,307,437
Investment earnings	43,235	49,062
Other	<u>25,285</u>	<u>27,571</u>
Total revenues	<u>13,046,610</u>	<u>13,438,053</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

	<b>Change in Net Assets</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2012</u>	<u>2011</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,406,532	\$ 5,268,250
Special	1,037,570	1,583,360
Vocational	10,457	21,933
Other	290,074	237,088
Support services:		
Pupil	135,673	166,264
Instructional staff	463,279	491,262
Board of education	31,910	41,165
Administration	1,251,652	1,144,782
Fiscal	366,244	372,610
Operations and maintenance	1,256,382	1,055,488
Pupil transportation	664,772	618,014
Central	192,708	157,896
Operations of non-instructional services:		
Food service operations	447,511	445,514
Other non-instructional services	115,501	116,444
Extracurricular activities	<u>527,778</u>	<u>480,781</u>
Total expenses	<u>12,198,043</u>	<u>12,200,851</u>
Change in net assets	848,567	1,237,202
Net assets at beginning of year	<u>10,606,190</u>	<u>9,368,988</u>
Net assets at end of year	<u>\$ 11,454,757</u>	<u>\$ 10,606,190</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$848,567. Total governmental expenses of \$12,198,043 were offset by program revenues of \$1,739,760 and general revenues of \$11,306,850. Program revenues supported 14.26% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 86.14% of total governmental revenue. The decrease in operating grants and contributions is primarily due to the decline in education stabilization and education jobs program federal funding.

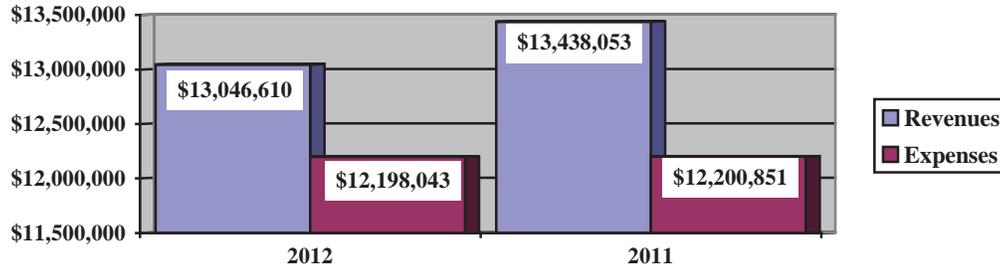
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,744,633 or 55.29% of total governmental expenses for fiscal year 2012.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,406,532	\$ 5,183,871	\$ 5,268,250	\$ 4,579,965
Special	1,037,570	426,510	1,583,360	604,206
Vocational	10,457	5,512	21,933	16,988
Other	290,074	290,074	237,088	237,088
Support services:				
Pupil	135,673	130,692	166,264	165,398
Instructional staff	463,279	434,545	491,262	448,406
Board of education	31,910	31,910	41,165	38,382
Administration	1,251,652	1,248,555	1,144,782	1,112,583
Fiscal	366,244	366,244	372,610	364,461
Operations and maintenance	1,256,382	1,234,018	1,055,488	1,032,712
Pupil transportation	664,772	655,393	618,014	595,302
Central	192,708	192,708	157,896	157,896
Operations of non-instructional services:				
Food service operations	447,511	(26,040)	445,514	(6,591)
Other non-instructional services	115,501	1,905	116,444	69
Extracurricular activities	527,778	282,386	480,781	267,768
<b>Total expenses</b>	<u>\$ 12,198,043</u>	<u>\$ 10,458,283</u>	<u>\$ 12,200,851</u>	<u>\$ 9,614,633</u>

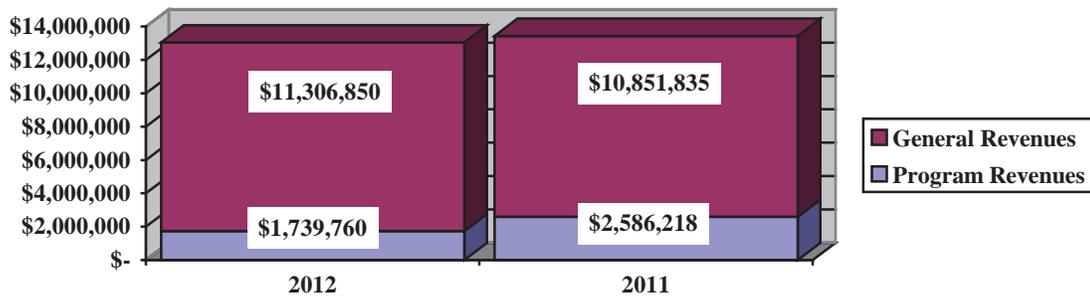
**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent; 87.57% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.74%. The District's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$6,660,589, which is greater than last year's total balance of \$5,997,289. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase/ <u>(Decrease)</u>
General	\$ 6,425,725	\$ 5,494,815	\$ 930,910
Other Governmental	<u>234,864</u>	<u>502,474</u>	<u>(267,610)</u>
Total	<u>\$ 6,660,589</u>	<u>\$ 5,997,289</u>	<u>\$ 663,300</u>

**General Fund**

The District's general fund balance increased \$930,910.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Property taxes	\$ 3,964,250	\$ 3,499,885	13.27 %
Income taxes	1,765,583	1,720,361	2.63 %
Earnings on investments	3,719	3,607	3.11 %
Intergovernmental	5,273,390	5,441,231	(3.08) %
Other revenues	<u>218,109</u>	<u>236,403</u>	(7.74) %
Total	<u>\$ 11,225,051</u>	<u>\$ 10,901,487</u>	2.97 %
<b><u>Expenditures</u></b>			
Instruction	\$ 5,854,123	\$ 5,626,114	4.05 %
Support services	3,936,427	3,774,830	4.28 %
Operation of non-instructional services	-	156	(100.00) %
Extracurricular activities	<u>378,591</u>	<u>352,028</u>	7.55 %
Total	<u>\$ 10,169,141</u>	<u>\$ 9,753,128</u>	4.27 %

Overall revenues of the general fund increased \$323,564 or 2.97%. Property taxes increased \$464,365 or 13.27% primarily due to an increase in real estate tax receipts during fiscal year 2012. All other revenue classifications remained comparable to fiscal year 2011.

Overall expenditures of the general fund increased \$416,013 or 4.27%. The minimal increases in instruction, support services, and extracurricular activities expenditures are a result of the District attempting to provide quality services to its students while sustaining conservative spending practices during difficult economic times.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, final budgeted revenues and other financing sources were \$11,415,842, which was the same as the original budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal year 2012 were \$11,023,649. This represents a \$392,193 decrease from final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$10,220,153 were increased to \$10,867,953 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$10,481,584, which was \$386,369 less than the final budgeted amounts.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2012, the District had \$2,673,338 invested in land, land improvements, buildings and improvements, equipment and furniture, vehicles, library books and construction in progress. This entire amount is reported in governmental activities. The following table shows June 30, 2012 balances compared to June 30, 2011 balances.

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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 1,098,217	\$ 1,098,217
Land improvements	30,928	59,846
Building and improvements	973,672	1,029,392
Equipment and furniture	135,877	171,041
Vehicles	399,504	478,327
Library books	-	1,689
Construction in progress	<u>35,140</u>	<u>18,256</u>
Total	<u>\$ 2,673,338</u>	<u>\$ 2,856,768</u>

The overall decrease in capital assets of \$183,430 is due to capital asset additions of \$37,800 being less than the \$221,230 in depreciation expense for fiscal year 2012.

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

*Debt Administration*

At June 30, 2012, the District had no long-term debt outstanding.

See Note 10 to the basic financial statements for additional information on the District's long-term obligations.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

**Current Financial Related Activities**

The District continues to provide an excellent program to students, parents, and community members while spending less than the average Ohio school district. The District spends 25.60% less than the State average for instructional and support services. The Board of Education and management team have carefully managed general fund budgets in order to minimize the need for additional local support. The District had requested an income tax of one percent of earned income in fiscal year 2008 for a five year term, which was renewed in 2012. While the collection of income tax has been slow and below the District's estimate by 13.40%, an increase was experienced in fiscal year 2012 and it is hoped that the new tax instrument will provide both stability and a chance for economic growth. The District received approximately 50% of its operating revenue from the State and does rely on the sharing of revenue from both the local taxpayer and the school funding formula. The State share of funding decreased slightly from the prior year by 0.09%.

The District experienced continued improvement in student achievement in fiscal year 2012. This improvement was demonstrated by the "excellent" designation of the District on the Ohio Department of Education district report card due to the achievement of 26 out of 26 indicators. The District was able to provide the services necessary to obtain the student achievement while spending \$2,057 less than the average Ohio school district and \$1,275 less than the average for schools within Wayne County.

The District has a low commercial and industrial tax base and relies heavily on residential support for local funding. The District valuation includes residential and agricultural values that equal 85.11% of the total. Those values experienced a 5.09% decrease for fiscal year 2012, with total values decreasing 1.52% from the prior year. Valuation per pupil remains below the County and State averages by 10.64% and 26.90%, respectively. The effective amount of mills levied against residential and agricultural properties is at the State minimum of 20 mills.

The District has also experienced a decrease in State funding through the State foundation program. The decrease for fiscal year 2012 was 7.80%.

The Board of Education has attempted to maintain the levels of student achievement obtained in recent years with less than State average spending, and hopes that with minimal requests for additional local contribution, the District will continue to receive the resources necessary for the educational excellence of all those students being served.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Steven Workman, Treasurer, Chippewa Local School District, 56 North Portage Street, Doylestown, Ohio, 44230-1398.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 6,891,135
Cash with fiscal agent . . . . .	2,531,615
Receivables:	
Property taxes . . . . .	3,826,196
Income taxes. . . . .	754,241
Accounts. . . . .	1,451
Intergovernmental . . . . .	238,192
Accrued interest . . . . .	383
Prepayments . . . . .	40,790
Materials and supplies inventory. . . . .	17,727
Capital assets:	
Land and construction in progress. . . . .	1,133,357
Depreciable capital assets, net. . . . .	1,539,981
Capital assets, net . . . . .	2,673,338
 Total assets. . . . .	 16,975,068
 <b>Liabilities:</b>	
Accounts payable. . . . .	42,107
Contracts payable. . . . .	35,140
Accrued wages and benefits . . . . .	987,375
Pension obligation payable. . . . .	252,972
Intergovernmental payable . . . . .	59,960
Claims payable. . . . .	101,041
Unearned revenue . . . . .	3,466,312
Long-term liabilities:	
Due within one year. . . . .	103,651
Due in more than one year. . . . .	471,753
 Total liabilities . . . . .	 5,520,311
 <b>Net Assets:</b>	
Invested in capital assets. . . . .	2,673,338
Restricted for:	
Capital projects . . . . .	137,750
Student activities . . . . .	38,758
State funded programs. . . . .	92,359
Federally funded programs . . . . .	30,361
Unrestricted . . . . .	8,482,191
 Total net assets . . . . .	 \$ 11,454,757

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,406,532	\$ 101,286	\$ 121,375	\$ (5,183,871)
Special . . . . .	1,037,570	-	611,060	(426,510)
Vocational . . . . .	10,457	-	4,945	(5,512)
Other . . . . .	290,074	-	-	(290,074)
Support services:				
Pupil . . . . .	135,673	-	4,981	(130,692)
Instructional staff . . . . .	463,279	3,497	25,237	(434,545)
Board of education . . . . .	31,910	-	-	(31,910)
Administration . . . . .	1,251,652	-	3,097	(1,248,555)
Fiscal . . . . .	366,244	-	-	(366,244)
Operations and maintenance . . . . .	1,256,382	12,567	9,797	(1,234,018)
Pupil transportation . . . . .	664,772	-	9,379	(655,393)
Central . . . . .	192,708	-	-	(192,708)
Operation of non-instructional services:				
Food service operations . . . . .	447,511	252,027	221,524	26,040
Other non-instructional services . . . . .	115,501	725	112,871	(1,905)
Extracurricular activities . . . . .	527,778	245,392	-	(282,386)
Total governmental activities . . . . .	\$ 12,198,043	\$ 615,494	\$ 1,124,266	(10,458,283)
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				3,963,185
Capital projects . . . . .				250,819
School district income taxes . . . . .				1,888,141
Grants and entitlements not restricted to specific programs . . . . .				5,136,185
Investment earnings . . . . .				43,235
Miscellaneous . . . . .				25,285
Total general revenues . . . . .				11,306,850
Change in net assets . . . . .				848,567
<b>Net assets at beginning of year . . . . .</b>				10,606,190
<b>Net assets at end of year . . . . .</b>				\$ 11,454,757

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 6,525,262	\$ 365,873	\$ 6,891,135
Receivables:			
Property taxes. . . . .	3,579,759	246,437	3,826,196
Income taxes . . . . .	754,241	-	754,241
Accounts . . . . .	1,451	-	1,451
Intergovernmental. . . . .	4,150	234,042	238,192
Accrued interest . . . . .	383	-	383
Interfund loans receivable . . . . .	150,000	-	150,000
Prepayments. . . . .	40,790	-	40,790
Materials and supplies inventory. . . . .	-	17,727	17,727
Total assets . . . . .	<u>\$ 11,056,036</u>	<u>\$ 864,079</u>	<u>\$ 11,920,115</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 36,204	\$ 5,903	\$ 42,107
Contracts payable. . . . .	-	35,140	35,140
Accrued wages and benefits. . . . .	842,022	145,353	987,375
Pension obligation payable . . . . .	215,251	37,721	252,972
Compensated absences payable . . . . .	47,228	17,235	64,463
Intergovernmental payable . . . . .	54,091	5,869	59,960
Interfund loans payable. . . . .	-	150,000	150,000
Deferred revenue . . . . .	190,846	10,351	201,197
Unearned revenue. . . . .	3,244,669	221,643	3,466,312
Total liabilities. . . . .	<u>4,630,311</u>	<u>629,215</u>	<u>5,259,526</u>
<b>Fund Balances:</b>			
Nonspendable:			
Prepayments. . . . .	40,790	-	40,790
Materials and supplies inventory. . . . .	-	17,727	17,727
Restricted:			
Capital improvements . . . . .	-	133,004	133,004
Non-public schools . . . . .	-	1,877	1,877
Public school preschool . . . . .	-	84,977	84,977
Targeted academic assistance . . . . .	-	8,796	8,796
Extracurricular. . . . .	-	38,758	38,758
Other purposes. . . . .	-	48,217	48,217
Assigned:			
Student instruction . . . . .	9,148	-	9,148
Student and staff support. . . . .	136,307	-	136,307
School supplies. . . . .	55,514	-	55,514
Subsequent year appropriations. . . . .	1,058,115	-	1,058,115
Other purposes. . . . .	8,208	-	8,208
Unassigned (deficit) . . . . .	5,117,643	(98,492)	5,019,151
Total fund balances . . . . .	<u>6,425,725</u>	<u>234,864</u>	<u>6,660,589</u>
Total liabilities and fund balances . . . . .	<u>\$ 11,056,036</u>	<u>\$ 864,079</u>	<u>\$ 11,920,115</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012

<b>Total governmental fund balances</b>		\$	6,660,589
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,673,338
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	68,884	
Income taxes receivable		122,558	
Intergovernmental receivable		9,755	
Total			201,197
An internal service fund is used by management to charge the costs of medical insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			2,430,574
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.			(510,941)
<b>Net assets of governmental activities</b>		\$	11,454,757

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 3,964,250	\$ 250,620	\$ 4,214,870
Income taxes . . . . .	1,765,583	-	1,765,583
Charges for services . . . . .	-	252,027	252,027
Earnings on investments . . . . .	3,719	-	3,719
Extracurricular . . . . .	91,422	153,970	245,392
Classroom materials and fees . . . . .	90,536	16,673	107,209
Rental income . . . . .	10,866	-	10,866
Other local revenues . . . . .	25,285	-	25,285
Intergovernmental - intermediate . . . . .	4,921	-	4,921
Intergovernmental - state . . . . .	5,268,469	242,659	5,511,128
Intergovernmental - federal . . . . .	-	1,020,531	1,020,531
Total revenues . . . . .	<u>11,225,051</u>	<u>1,936,480</u>	<u>13,161,531</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	5,237,476	270,820	5,508,296
Special . . . . .	311,766	796,985	1,108,751
Vocational . . . . .	14,807	-	14,807
Other . . . . .	290,074	-	290,074
Support services:			
Pupil . . . . .	139,538	4,514	144,052
Instructional staff . . . . .	460,603	29,876	490,479
Board of education . . . . .	31,910	-	31,910
Administration . . . . .	1,210,580	110,710	1,321,290
Fiscal . . . . .	372,719	5,364	378,083
Operations and maintenance . . . . .	901,553	383,149	1,284,702
Pupil transportation . . . . .	626,816	-	626,816
Central . . . . .	192,708	-	192,708
Operation of non-instructional services:			
Food service operations . . . . .	-	465,540	465,540
Other non-instructional services . . . . .	-	119,027	119,027
Extracurricular activities . . . . .	378,591	143,105	521,696
Total expenditures . . . . .	<u>10,169,141</u>	<u>2,329,090</u>	<u>12,498,231</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,055,910</u>	<u>(392,610)</u>	<u>663,300</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	125,000	125,000
Transfers (out) . . . . .	<u>(125,000)</u>	<u>-</u>	<u>(125,000)</u>
Total other financing sources (uses) . . . . .	<u>(125,000)</u>	<u>125,000</u>	<u>-</u>
Net change in fund balances . . . . .	930,910	(267,610)	663,300
<b>Fund balances at beginning of year . . . . .</b>	<u>5,494,815</u>	<u>502,474</u>	<u>5,997,289</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 6,425,725</u>	<u>\$ 234,864</u>	<u>\$ 6,660,589</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<b>Net change in fund balances - total governmental funds</b>	\$	663,300
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.</p>		
Capital asset additions	\$ 37,800	
Current year depreciation	<u>(221,230)</u>	
Total		(183,430)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	(866)	
Income taxes	122,558	
Intergovernmental revenue	<u>(276,129)</u>	
Total		(154,437)
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		25,758
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		
		<u>497,376</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>848,567</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,646,577	\$ 3,646,577	\$ 3,944,427	\$ 297,850
Income taxes. . . . .	1,699,089	1,699,089	1,770,648	71,559
Earnings on investments . . . . .	4,027	4,027	3,745	(282)
Rental income . . . . .	10,648	10,648	10,866	218
Other local revenues . . . . .	22,524	22,524	20,494	(2,030)
Intergovernmental - state . . . . .	5,577,262	5,577,262	5,268,469	(308,793)
<b>Total revenues . . . . .</b>	<u>10,960,127</u>	<u>10,960,127</u>	<u>11,018,649</u>	<u>58,522</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,939,878	5,252,989	5,187,133	65,856
Special. . . . .	359,516	382,304	314,502	67,802
Vocational. . . . .	25,874	27,514	15,340	12,174
Other. . . . .	279,619	297,343	295,981	1,362
Support services:				
Pupil. . . . .	169,091	179,809	145,100	34,709
Instructional staff . . . . .	491,831	523,006	500,128	22,878
Board of education . . . . .	55,786	59,322	33,177	26,145
Administration. . . . .	1,188,828	1,264,181	1,215,348	48,833
Fiscal . . . . .	360,595	383,451	386,374	(2,923)
Operations and maintenance. . . . .	996,274	1,059,422	994,937	64,485
Pupil transportation . . . . .	608,023	646,562	638,750	7,812
Central. . . . .	183,714	195,359	194,681	678
Extracurricular activities. . . . .	280,461	298,238	285,133	13,105
<b>Total expenditures . . . . .</b>	<u>9,939,490</u>	<u>10,569,500</u>	<u>10,206,584</u>	<u>362,916</u>
 Excess of revenues over expenditures . . . . .	 <u>1,020,637</u>	 <u>390,627</u>	 <u>812,065</u>	 <u>421,438</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	451,605	451,605	-	(451,605)
Transfers (out). . . . .	(139,604)	(148,453)	(125,000)	23,453
Advances (out) . . . . .	(141,059)	(150,000)	(150,000)	-
Sale of capital assets . . . . .	4,110	4,110	5,000	890
<b>Total other financing sources (uses) . . . . .</b>	<u>175,052</u>	<u>157,262</u>	<u>(270,000)</u>	<u>(427,262)</u>
 Net change in fund balance . . . . .	 1,195,689	 547,889	 542,065	 (5,824)
<b>Fund balance at beginning of year . . . . .</b>	<b>5,595,580</b>	<b>5,595,580</b>	<b>5,595,580</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>136,238</b>	<b>136,238</b>	<b>136,238</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 6,927,507</u></b>	<b><u>\$ 6,279,707</u></b>	<b><u>\$ 6,273,883</u></b>	<b><u>\$ (5,824)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>	
Current assets:	
Cash with fiscal agent . . . . .	\$ 2,531,615
Total assets. . . . .	<u>2,531,615</u>
<b>Liabilities:</b>	
Current liabilities:	
Claims payable . . . . .	<u>101,041</u>
Total liabilities . . . . .	<u>101,041</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>2,430,574</u>
Total net assets . . . . .	<u>\$ 2,430,574</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 1,951,219
Total operating revenues . . . . .	<u>1,951,219</u>
<b>Operating expenses:</b>	
Personal services . . . . .	11,512
Purchased services . . . . .	603,376
Claims . . . . .	<u>878,471</u>
Total operating expenses . . . . .	<u>1,493,359</u>
Operating income . . . . .	<u>457,860</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>39,516</u>
Total nonoperating revenues . . . . .	<u>39,516</u>
Change in net assets . . . . .	497,376
<b>Net assets at beginning of year . . . . .</b>	<u>1,933,198</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 2,430,574</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services. . . . .	\$ 1,951,219
Cash payments for personal services . . . . .	(11,512)
Cash payments for purchased services . . . . .	(603,376)
Cash payments for claims. . . . .	(905,255)
	431,076
<b>Net cash provided by operating activities . . . . .</b>	
	431,076
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	39,516
	39,516
<b>Net cash provided by investing activities . . . . .</b>	
	39,516
<b>Net increase in cash and cash equivalents. . . . .</b>	
	470,592
<b>Cash and cash equivalents at beginning of year . . . . .</b>	
	2,061,023
<b>Cash and cash equivalents at end of year . . . . .</b>	
	\$ 2,531,615
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 457,860
<b>Changes in assets and liabilities:</b>	
(Decrease) in claims payable. . . . .	(26,784)
	(26,784)
<b>Net cash provided by operating activities. . . . .</b>	
	\$ 431,076

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 2,510	\$ 23,420
Total assets. . . . .	<u>2,510</u>	<u>\$ 23,420</u>
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 23,420
Total liabilities . . . . .	<u>-</u>	<u>\$ 23,420</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>2,510</u>	
Total net assets . . . . .	<u>\$ 2,510</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 291
Total additions. . . . .	291
<b>Reductions:</b>	
Scholarships awarded . . . . .	2,169
Change in net assets. . . . .	(1,878)
<b>Net assets at beginning of year . . . . .</b>	<b>4,388</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 2,510</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District is staffed by 97 certified full-time teaching personnel and 59 classified employees who provide services to 1,508 students and other community members.

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

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Midland Council of Governments

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

Wayne County Career Center

The Wayne County Career Center (the "Center") is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Center accepts non-tuition students from the District as a member school. However, it is considered a separate political subdivision and is not considered to be part of the District.

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Program

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following is the District's major governmental fund:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal service fund* - An internal service fund is used to account for the financing of goods or services provided by one fund or department to other funds or departments of the District, or to other governments, on a cost-reimbursement basis. The internal service fund of the District accounts for a self-insurance program, which provides health/medical benefits to employees.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for District agency activities and student-managed activities.

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

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the governmental funds balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund are charges for services. Operating expenses for internal service funds include claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2012 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

2. By no later than January 20, the Board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the object level within each function for the general fund and at the fund level of expenditures for all other funds, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the object level within each function for the general fund and at the fund level of expenditures for all other funds, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any object within each function for the general fund and the fund level for all other funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to July 1, 2012; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the object level within each function for the general fund and the fund level for all other funds.

Encumbrance accounting is utilized by District funds during the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2012, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$3,719, which includes \$304 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**H. Capital Assets**

General capital assets are those assets specifically related to activities reported in the governmental funds, and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. For fiscal year 2012, the District maintained a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	5 - 20 years
Library books	5 - 20 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**L. Fund Balance**

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

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

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

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**N. Prepayments**

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

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

**O. Parochial School**

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

**P. Estimates**

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

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**R. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. The budget stabilization is included in unassigned fund balance of the general fund and in unrestricted net assets on the statement of net assets.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 17,159
Title VI-B	37,676
Title I	25,930

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

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

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

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.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**A. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$30,851. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, all of the District’s bank balance of \$247,735 was covered by the FDIC.

**B. Cash with Fiscal Agent**

At fiscal year end, the District had a cash balance with the Ohio Mid-Eastern Regional Education Service Agency Self-Funded Insurance Program (the “Program”) of \$2,531,615. The balance is covered by federal depository insurance or by collateral held by a qualified third-party trustee in the name of the Program’s fiscal agent. This amount is not part of the internal cash pool and is reported on the financial statements as “cash with fiscal agent”.

**C. Investments**

As of June 30, 2012, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 6,886,214	\$ 6,886,214

The weighted average maturity of investments is one day.

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 6,886,214	100.00

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 30,851
Cash with fiscal agent	2,531,615
Investments	<u>6,886,214</u>
Total	<u>\$ 9,448,680</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 9,422,750
Private purpose trust fund	2,510
Agency funds	<u>23,420</u>
Total	<u>\$ 9,448,680</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2012 as reported on the fund financial statements, consisted of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	<u>\$ 150,000</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

- B. Interfund transfers for the year ended June 30, 2012 as reported on the fund financial statements, consisted of the following:

<u>Transfer to nonmajor governmental fund from:</u>	<u>Amount</u>
General fund	<u>\$ 125,000</u>

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

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Wayne County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$270,952 in the general fund and \$20,048 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$251,129 in the general fund and \$17,983 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 179,159,550	94.57	\$ 170,359,980	91.32
Public utility personal	9,901,810	5.23	16,194,700	8.68
Tangible personal property	<u>377,720</u>	<u>0.20</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 189,439,080</u>	<u>100.00</u>	<u>\$ 186,554,680</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed value:				
General operations	\$ 37.50		\$ 37.50	
Permanent improvement	1.90		1.90	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), grants and entitlements (reported as “intergovernmental”) and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Property taxes	\$ 3,826,196
Income taxes	754,241
Accounts	1,451
Intergovernmental	238,192
Accrued interest	<u>383</u>
Total	<u>\$ 4,820,463</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 8 - SCHOOL DISTRICT INCOME TAX**

The District passed a 1.00% continuing earned income only tax for general operations of the District beginning January 1, 2008 and ending December 31, 2012. Employers and residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$1,765,583 during fiscal year 2012.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/12</u>
<b><u>Governmental activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,098,217	\$ -	\$ -	\$ 1,098,217
Construction in progress	<u>18,256</u>	<u>37,800</u>	<u>(20,916)</u>	<u>35,140</u>
Total capital assets, not being depreciated	<u>1,116,473</u>	<u>37,800</u>	<u>(20,916)</u>	<u>1,133,357</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	676,483	-	-	676,483
Buildings and improvements	4,938,039	20,916	-	4,958,955
Equipment and furniture	1,447,890	-	-	1,447,890
Vehicles	1,523,109	-	-	1,523,109
Library books	<u>616,859</u>	<u>-</u>	<u>-</u>	<u>616,859</u>
Total capital assets, being depreciated	<u>9,202,380</u>	<u>20,916</u>	<u>-</u>	<u>9,223,296</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(616,637)	(28,918)	-	(645,555)
Buildings and improvements	(3,908,647)	(76,636)	-	(3,985,283)
Equipment and furniture	(1,276,849)	(35,164)	-	(1,312,013)
Vehicles	(1,044,782)	(78,823)	-	(1,123,605)
Library books	<u>(615,170)</u>	<u>(1,689)</u>	<u>-</u>	<u>(616,859)</u>
Total accumulated depreciation	<u>(7,462,085)</u>	<u>(221,230)</u>	<u>-</u>	<u>(7,683,315)</u>
Governmental activities capital assets, net	<u>\$ 2,856,768</u>	<u>\$ (162,514)</u>	<u>\$ (20,916)</u>	<u>\$ 2,673,338</u>

Depreciation expense was charged to governmental functions as follows:

<b><u>Instruction:</u></b>	
Regular	\$ 97,492
Special	551
<b><u>Support services:</u></b>	
Instructional staff	2,649
Administration	1,619
Operations and maintenance	39,213
Pupil transportation	70,932
Extracurricular activities	6,082
Food service operations	<u>2,692</u>
Total depreciation expense	<u>\$ 221,230</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2012, the following changes occurred to the long-term obligations of governmental activities:

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/12</u>	<u>Amount Due</u> <u>In One Year</u>
Compensated absences	\$ 597,795	\$ 80,762	\$ (103,153)	\$ 575,404	\$ 103,651

*Compensated Absences:* Compensated absences will be paid from the fund from which the employees' salaries are paid, which for the District is primarily the general fund.

**B. Legal Debt Margins**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$16,789,921 and an unvoted debt margin of \$186,555.

**NOTE 11 - EMPLOYEE BENEFITS**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of fifteen days per year for all personnel. The total lifetime maximum sick leave accumulation is 276 days for certified personnel and 284 days for classified personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 69 days for certified employees and 71 days for classified employees.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the District contracted with Ohio Casualty Insurance Company for general liability insurance, property insurance, and boiler coverage. Liability coverage is limited to \$5,000,000 per claim and the boiler and property insurance carries a limitation of \$39,719,434 in the aggregate with a \$5,000 deductible.

Vehicles are covered by Booker/Indiana Insurance Company and hold a \$500 deductible for collision. Automobile liability coverage has a \$1,000,000 limit for collision, a \$1,000,000 limit per accident for bodily injury and a \$5,000 limit for medical payments.

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

**B. Employee Health Insurance**

Major medical, hospitalization, dental, life, and/or disability coverage is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of several school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The plan is administered through OME-RESA and provides stop loss protection of \$30,000 per individual per year. The claims liability of \$101,041 reported in the internal service fund at June 30, 2012 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", and as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the current and prior fiscal year are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2012	\$ 127,825	\$ 878,471	\$ (905,255)	\$ 101,041
2011	149,217	1,052,593	(1,073,985)	127,825

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

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (the "GRP"), an insurance purchasing pool (See Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$189,274, \$174,357 and \$176,160, respectively; 54.59 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$708,416, \$686,760 and \$677,955, respectively; 84.04 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$47,514 made by the District and \$33,938 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.40 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$31,807, \$43,185 and \$33,425, respectively; 54.59 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$11,178, \$11,220 and \$10,476, respectively; 54.59 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$54,494, \$52,858 and \$52,150, respectively; 84.04 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 542,065
Net adjustment for revenue accruals	19,523
Net adjustment for expenditure accruals	119,194
Net adjustment for other sources/uses	145,000
Funds budgeted elsewhere	(38,851)
Adjustment for encumbrances	<u>143,979</u>
GAAP basis	<u>\$ 930,910</u>

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

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 17 - SET ASIDES**

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

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

	<u>Capital Improvements</u>	<u>BWC Refunds</u>	<u>Budget Stabilization</u>
Set-aside balance June 30, 2011	\$ -	\$ 43,205	\$ 150,386
Current year set-aside requirement	248,656	-	-
Current year qualifying expenditures	-	(43,205)	-
Current year offsets	<u>(286,263)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (37,607)</u>	<u>\$ -</u>	<u>\$ 150,386</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,386</u>
Set-aside balance June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,386</u>

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

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. Via Board Resolution, the District has elected to maintain its budget stabilization amount at June 30, 2012.

**NOTE 18 - COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 108,175
Nonmajor governmental funds	<u>110,207</u>
Total	<u>\$ 218,382</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR/ Pass Through Grantor/ Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Grant Year</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Education Agencies	050534-3M00	84.010	2011		\$49,921
Title I Grants to Local Education Agencies	050534-3M00	84.010	2012	\$136,005	134,472
Total Title I Grants to Local Education Agencies				136,005	184,393
Improving Teacher Quality State Grant	050534-3Y60	84.367	2011		27,179
Improving Teacher Quality State Grant	050534-3Y60	84.367	2012	35,716	25,476
Total Improving Teacher Quality State Grant				35,716	52,655
Education Technology State Grant	050534-GRF	84.318	2011		4,308
Education Technology State Grant	050534-GRF	84.318	2012	5,400	2,909
Education Technology State Grant	050534-GRF	84.318	2012		120
Total Education Technology State Grant				5,400	7,337
Safe & Drug Free Schools and Communities State Grants	050534-3D10	84.186	2009		542
Safe & Drug Free Schools and Communities State Grants	050534-3D10	84.186	2010		3,470
Total Safe & Drug Free Schools and Communities State Grants					4,012
Innovative Program Strategies Grant	50534	84.298	2008		2,423
Innovative Program Strategies Grant	50534	84.298	2006		5,785
Innovative Program Strategies Grant	50534	84.298	2005		1,689
Total Innovative Program Strategies Grant					9,897
Special Education Cluster:					
Special Education - Grants to States	050534-3M20	84.027	2011		117,934
Special Education - Grants to States	050534-3M20	84.027	2012	279,902	390,850
Total Special Education - Grants to States				279,902	508,784
ARRA - Special Education - Grants to States	050534-3DJ0	84.391	2012	18,310	18,310
Total Special Education Cluster				298,212	527,094
ARRA - State Fiscal Stabilization Fund	050534-3DK0	84.394	2011		77,566
ARRA - Race to Top-Stimulus	050534-3FD0	84.395	2012	700	700
Education Jobs Fund	050534-3M00	84.410	2012	110,709	255,756
<b>Total U.S. Department of Education</b>				<b>586,742</b>	<b>1,119,410</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program/Commodities	050534-3L60	10.555	2012	57,433	57,433
Cash Assistance					
National School Lunch Program	050534-3L60	10.555	2012	186,349	186,349
Total Child Nutrition Cluster				243,782	243,782
<b>Total U.S. Department of Agriculture</b>				<b>243,782</b>	<b>243,782</b>
<b>Total</b>				<b>\$830,524</b>	<b>\$1,363,192</b>

The accompanying notes are an integral part of this schedule.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C - FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the entitlement value.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Chippewa Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 22, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

March 22, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Chippewa Local School District, Wayne County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Chippewa Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

As described in finding 2012-04 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding period of availability applicable to its Special Education Grants to States major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Chippewa Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

The results of our auditing procedures also disclosed other instances of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2012-03 and 2012-05.

### Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-04 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-03 and 2012-05 to be significant deficiencies.

The District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



**Dave Yost**  
Auditor of State

March 22, 2013

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified – Special Education Grants to States
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA 84.410 Education Jobs Fund; Special Education Cluster: CFDA 84.027 Special Education – Grants to States & CFDA 84.391 ARRA – Special Education – Grants to States.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

1. **Estimated Resources**

<i>Finding Number</i>	2012-01
-----------------------	---------

NONCOMPLIANCE

**Ohio Rev. Code Section 5705.36** indicates on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year, except the unencumbered fund balance of a budget stabilization reserve and the principal of any non-expendable trust funds. A school district's certification shall separately show the amount of any notes and unpaid outstanding expenses that were due prior to June 30 which are to be paid from advancements of property tax settlement money. Fiscal officers of subdivisions expecting to collect greater or less than the estimated revenue included in the official certificate of estimated resources from the county budget commission are required to obtain amended certificates of estimated resources from the county budget commission. Additionally, appropriations made during the fiscal year from any fund must not exceed the amount contained in the official certificate of estimated resources or an amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation. Furthermore, **Ohio Rev. Code Section 5705.39** indicates total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that total appropriations from each fund do not exceed the total official certificate of estimated resources or an amended certificate of estimated resources.

The Treasurer did not certify to the Wayne County Auditor the amount available for expenditures from each fund in the tax budget for fiscal year 2012 along with any encumbered fund balances existing at the end of fiscal year 2011 nor did the Treasurer certify to the Auditor changes in estimated resources during current fiscal year. Subsequently, the Wayne County Budget Commission did not issue an official (or amended) certificate of estimated resources or a certificate that appropriations did not exceed estimated resources. Therefore, all appropriations were improperly adopted since there was no certificate of estimated resources.

We compared the Board approved appropriations at fiscal yearend with actual resources (actual revenue plus beginning unencumbered fund balance) at fiscal yearend, noting the appropriations exceeded the actual resources for 3 of 5 (60%) funds tested, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual Resources</u>	<u>Variance</u>
Food Service	\$480,250	\$445,547	\$(34,703)
IDEA B	1,174,428	541,146	(633,282)
Fiscal Stabilization	608,700	77,566	(531,134)

1. **Estimated Resources (continued)**

The Treasurer should certify to the Wayne County Auditor the total amount from all sources available for expenditures from each fund, including unencumbered fund balances on or about the first day of each fiscal year. The Treasurer should obtain an official certificate of estimated resources from the Wayne County Budget Commission and amended certificates whenever the expected revenue to be collected differs from the amount on the official certificate of estimate resources. The Treasurer should also request a certificate from the Wayne County Auditor that appropriations do not exceed estimated resources. Finally, the Treasurer should compare actual resources to appropriations to ensure funds are not appropriated when there are not adequate resources available.

**Official's Response:** The district will be more diligent in its effort to acquire certifications for amendment of revenue and appropriation measures within the fiscal year when estimates are beyond an acceptable level.

2. **Restriction Upon School District Expenditures**

<i>Finding Number</i>	2012-02
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NONCOMPLIANCE

**Ohio Rev. Code Section 5705.412** indicates no school district shall adopt any appropriation measure, make any qualifying contract, or increase during any school year any wage or salary schedule, unless there is attached thereto, a certificate that the school district has in effect the authorization to levy taxes including the renewal or replacement of existing levies which, when combined with the estimated revenue from all other sources available to the district at the time of certification, are sufficient to provide the operating revenues necessary to enable the district to maintain all personnel and programs for all the days set forth in its adopted school calendars for the current fiscal year and for a number of days in succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year, as follows:

- A certificate attached to an appropriation measure under this section shall cover only the fiscal year in which the appropriation measure is effective and shall not consider the renewal or replacement of an existing levy as the authority to levy taxes that are subject to appropriation in the current fiscal year unless the renewal or replacement levy has been approved by the electors and is subject to appropriation in the current fiscal year:
- A certificate attached, in accordance with this section, to any qualifying contract shall cover the term of the contract;
- A certificate attached under this section to a wage or salary schedule shall cover the term of the schedule.
- The certificate shall be signed by the treasurer and president of the board of education and the superintendent of the school district.

**2. Restriction Upon School District Expenditures (continued)**

During the fiscal year, the District approved original and final appropriation amendments; however, the District could not provide documentation that they prepared the required certification for the appropriation measures adopted by the Board.

The District should complete the certificate required by the Ohio Revised Code for all appropriation measures, qualifying contracts, and increases in wage or salary schedules. The certificates should be signed by the Treasurer, Superintendent, and Board President.

This matter will be referred to the County Prosecutor.

**Official's Response:** The district will work on its effort to be consistent with the preparation of records for contracts requiring the 5705.412 certificates including all appropriation adoptions and approvals.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**1. Special Tests and Provisions - Separate Accountability**

<b>Finding Number</b>	2012-03
<b>CFDA Title and Number</b>	ARRA-Special Education – Grants to States – CFDA 84.391
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY**

**2 C.F.R 176.210(b)** states, “For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A–133, “Audits of States, Local Governments, and Non-Profit Organizations,” recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF–SAC) required by OMB Circular A–133.”

The District did not separately account for American Recovery and Reinvestment Act (ARRA) and non-ARRA IDEA-B receipts and expenses in the amount of \$18,310 within the accounting system. As a result, the District could not support the value of ARRA expenses from non-ARRA expenses; therefore, ARRA program expenditures were reported as equal to ARRA receipts. Additionally, the District received \$700 of Race to the Top ARRA funding which the District recorded as miscellaneous state grant revenue.

**1. Separate Accountability (continued)**

The District should ensure all federal cost objects are separately tracked and recorded within the District's accounting system. This may help ensure the District can distinguish between the receipts and expenses for various cost objectives for reporting purposes as well as help in assuring the District expenses funds for activities which are allowable under the provisions of the cost objective.

**Official's Response:** See corrective action plan on page 64.

**2. Period of Availability**

<b>Finding Number</b>	2012-04
<b>CFDA Title and Number</b>	Special Education Grants to States – CFDA 84.027
<b>Federal Award Number / Year</b>	2012 and 2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**QUESTIONED COST, NONCOMPLIANCE AND MATERIAL WEAKNESS**

**2 C.F.R. Part 215, Section 71(b)** provides unless the Federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions.

The District charged \$43,201 of fiscal year 2012 IDEA grant payroll and non-payroll expenditures to its 2011 grant. These expenditures were incurred subsequent to the 2011 fiscal year, outside of the period of availability; therefore, we are questioning costs of \$43,201.

The District should ensure costs are properly obligated in the correct period of availability prior to expensing funds. By not ensuring proper obligation, the District could lose future federal funding.

**Official's Response:** See corrective action plan on page 64.

**3. Reporting and Cash Management**

<b>Finding Number</b>	2012-05
<b>CFDA Title and Number</b>	Special Education Cluster (IDEA) ARRA-Special Education – Grants to States – CFDA 84.391 and Special Education – Grants to State – CFDA 84.027
<b>Federal Award Number / Year</b>	2012 and 2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY**

**34 C.F.R. 80.20(b)(7)** indicates, procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees. Additionally, **34 C.F.R. 80.21(i)** indicates grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

The Ohio Department of Education (ODE) also developed guidelines for cash management for its subgrantees. In general, ODE considers its subgrantees to be in compliance with cash management requirements if the subgrantee expends all advanced funds within thirty days of receipt. If interest is earned on advanced funds, ODE requires its subgrantees to remit interest earned to them via check. ODE will determine if the interest calculation is correct and submit payment to the U.S. Department of Education. Interest is imputed using the U.S. Treasury Current Value of Funds Rate, which is the rate the Federal government would have received if it retained the advance.

The District received IDEA B funding on a reimbursement basis through submission of Project Cash Requests. Project Cash Requests are grant-year specific and the District was only allowed to request reimbursement for expenses related to that Project Cash Request's grant year. The District requested and received reimbursement for \$69,174 of 2011 IDEA B grant year expenses from the fiscal year 2012 grant due to selection of expenses from the wrong grant cost center. The Project Cash Request was dated November 30, 2011. It was determined these expenses were previously paid with 2011 IDEA B grant funding and should not have been included in the Project Cash Request as reimbursable expenses. However, the reimbursement proceeds were used to fund the fiscal year 2012 program and the expenditures were allowable for the program and period requested.

**3. Reporting and Cash Management (continued)**

The District should establish internal control procedures to ensure it complies with the Federal cash management requirements of **34 C.F.R. 80.20(b)(7)** and the guidelines established by ODE. Furthermore, the District should ensure only allowable expenses are included in the Project Cash Request when requesting reimbursement. Furthermore, the District should monitor grant allocations versus grant expenses throughout the year and pay expenses which exceed the grant allocation directly from the General Fund. Failure to follow Federal cash management requirements could cause the District to lose funding and to be funded on a reimbursement-basis only.

**Official's Response:** See corrective action plan on page 64.

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-03	<p>The district received and posted to the wrong fund in error an amount of \$18,310 which was not specified to be an American Recovery and Reinvestment Act fund account. Because the receipt and use of those funds correlated with non ARRA activity, there was no distinction between the program activity for all IDEA-B dollars received and spent. While there was no separation between the types of funds received in this case, the purpose and use of those dollars remained the same. The district also received Race to the Top ARRA dollars which was posted to the wrong account. With the loss of federal stimulus dollars for the ensuing year, such separation is no longer needed. The district will take additional steps to insure that amounts received for federal programs are posted to the appropriate account.</p>	Immediately	Treasurer of District
2012-04	<p>The district encumbered \$43,201 for purchases prior to June 30 of which actual expenditures were made in August and September of that same year. While those expenditures conformed to the program intent and were in compliance with allowable costs, the district believed they were considered adequate obligations within the appropriate program year. The district has historically spent more dollars for related services of federal programs than received which was true for the 2012 fiscal year. The district will involve more individuals in the planning of use of those dollars to allow expenditure earlier within the fiscal year to meet the obligation timeline at an earlier date.</p>	Immediately	Treasurer of District
2012-05	<p>The district included some expenditure from the wrong project year when requesting federal funds. While those expenditures were for the same project type and intent; they should not have been included based on the needs of the program at that particular time. The district received very little or no advantage for investment purposes on the advance of those dollars. The district will take additional steps to verify the needs of program revenue and will anticipate allocating more related expenditures against General Fund dollars.</p>	Immediately	Treasurer of District

**CHIPPEWA LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2011-01	<b>Ohio Rev. Code Sections 5705.36 and 5705.39</b> - the District did not certify the unencumbered cash fund balances available for expenditures in the 2011 tax budget and appropriations exceeded actual resources for certain funds.	No	Not Corrected. Repeated as Finding 2012-01.
2011-02	<b>Ohio Rev. Code Section 5705.412</b> - the District did not execute required 412 certificates for two negotiated agreements and the annual appropriation measure.	No	Not Corrected. Repeated as Finding 2012-02.
2011-03	<b>Ohio Rev. Code Section 5705.13(A)</b> – the District did not meet its textbook and instructional materials set-aside threshold or properly liquidate the Bureau of Workers Comp reserve.	Yes	Finding no longer valid.
2011-04	<b>Office of Management and Budget (OMB) Circular A-133 Subpart C, §_310(b) Schedule of Expenditures of Federal Awards</b> - the District did not have an adequate process or system to track federal receipt and expenditure activity.	Yes	Finding no longer valid.
2011-05	<b>Section 14003 (b)(1) of the American Recovery and Reinvestment Act</b> – Questioned Cost of actual \$18,830 (projected cost of \$25,935) were identified.	Yes	Finding no longer valid.
2011-06	<b>2 C.F.R 176.210(b)</b> - the District comingled American Recovery and Reinvestment Act (ARRA) and non-ARRA receipts and expenses of the Special Education Cluster program	No	Not Corrected. Repeated as Finding 2012-03.
2011-07	<b>34 C.F.R. 80.20(b)(7)</b> – the District did not comply with cash management requirements related to ARRA-State Fiscal Stabilization Fund, Education State Grants and Special Education Cluster (IDEA) ARRA-Special Education – Grants to States and Special Education – Grants to States.	No	Partially Corrected. Repeated as Finding 2012-05 and limited to the Special Education Cluster (IDEA) ARRA-Special Education – Grants to States and Special Education – Grants to States.

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# Dave Yost • Auditor of State

CHIPPEWA LOCAL SCHOOL DISTRICT

WAYNE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 9, 2013