



Dave Yost • Auditor of State

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

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CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa Local School District, Wayne County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa Local School District, Wayne County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and IDEA Part B fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

March 13, 2015

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**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities increased \$834,302, which represents a 7.33% increase from fiscal year 2013.
- General revenues accounted for \$11,505,805 or 82.87% of all revenues. Program specific revenues in the form of charges for services and sales, and operating grants and contributions accounted for \$2,378,287 or 17.13% of total revenues of \$13,884,092.
- The District had \$13,049,790 in expenses related to governmental activities; \$2,378,287 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 \$11,505,805 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the IDEA Part B fund. The general fund had \$12,173,264 in revenues and \$11,836,519 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance increased \$336,745 from a balance of \$6,234,572 to \$6,571,317.
- The District's other major governmental fund is the IDEA Part B fund. The IDEA Part B fund had \$335,937 in other financing sources and \$608,686 in expenditures. During fiscal year 2014, the IDEA Part B's fund deficit increased \$272,749 from a deficit of (\$109,743) to a deficit of (\$382,492).

Using these Basic Financial Statements

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

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund and the IDEA Part B fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-22 of this report.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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 21-23 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its programs which are private in purpose. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for other governments and individuals. These activities are reported in the agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24-25. 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 27-53 of this report.

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 15,318,884	\$ 14,183,985
Capital assets, net	<u>2,555,672</u>	<u>2,641,830</u>
Total assets	<u>17,874,556</u>	<u>16,825,815</u>
<u>Liabilities</u>		
Current liabilities	1,403,749	1,416,386
Long-term liabilities	<u>590,813</u>	<u>550,127</u>
Total liabilities	<u>1,994,562</u>	<u>1,966,513</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for the next fiscal year	<u>3,670,246</u>	<u>3,483,856</u>
Total deferred inflows of resources	<u>3,670,246</u>	<u>3,483,856</u>
<u>Net Position</u>		
Investment in capital assets	2,555,672	2,641,830
Restricted	914,596	411,116
Unrestricted	<u>8,739,480</u>	<u>8,322,500</u>
Total net position	<u>\$ 12,209,748</u>	<u>\$ 11,375,446</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

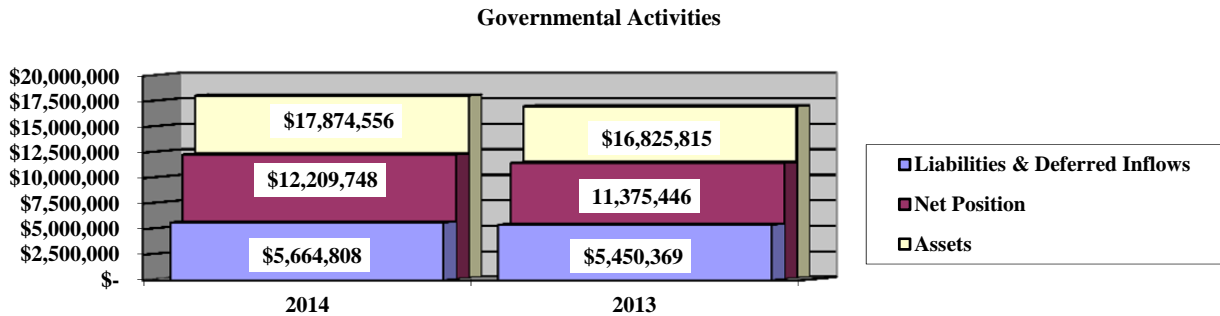
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$12,209,748. At year-end, unrestricted net position was \$8,739,480.

At year-end, capital assets represented 14.30% 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, 2014, the amount invested in capital assets, was \$2,555,672. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$914,596, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is \$8,739,480.

The graph below illustrates the District's assets, liabilities and deferred inflows, and net position at June 30, 2014 and June 30, 2013.



The table below shows the change in net position for fiscal years 2014 and 2013.

	Change in Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,077,528	\$ 999,652
Operating grants and contributions	1,300,759	1,110,156
General revenues:		
Property taxes	4,051,581	3,815,664
School district income taxes	1,888,995	1,748,488
Grants and entitlements	5,516,196	5,312,984
Investment earnings	15,734	25,155
Other	33,299	38,976
Total revenues	13,884,092	13,051,075

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

	Change in Net Position	
	Governmental	Governmental
	Activities	Activities
	<u>2014</u>	<u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,864,050	\$ 5,601,063
Special	1,186,437	1,403,558
Vocational	6,806	6,972
Other	864,737	777,068
Support services:		
Pupil	220,497	162,225
Instructional staff	397,589	466,468
Board of education	37,000	42,768
Administration	1,134,577	1,220,513
Fiscal	374,931	401,305
Operations and maintenance	1,029,223	1,118,182
Pupil transportation	713,839	635,932
Central	129,680	181,953
Operations of non-instructional services:		
Food service operations	471,509	481,206
Other non-instructional services	86,547	87,869
Extracurricular activities	<u>532,368</u>	<u>543,304</u>
Total expenses	<u>13,049,790</u>	<u>13,130,386</u>
Change in net position	834,302	(79,311)
Net position at beginning of year	<u>11,375,446</u>	<u>11,454,757</u>
Net position at end of year	<u>\$ 12,209,748</u>	<u>\$ 11,375,446</u>

Governmental Activities

Net position of the District's governmental activities increased \$834,302. Total governmental expenses of \$13,049,790 were offset by program revenues of \$2,378,287 and general revenues of \$11,505,805. Program revenues supported 18.22% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 82.52% of total governmental revenue.

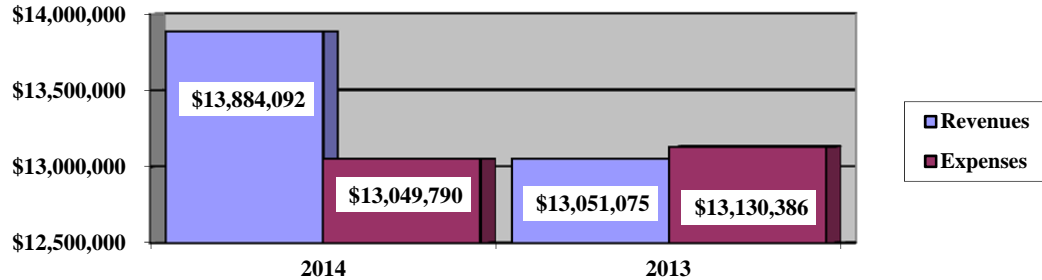
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,922,030 or 60.71% of total governmental expenses for fiscal year 2014.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.

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 2014 and 2013. 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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 5,864,050	\$ 5,560,347	\$ 5,601,063	\$ 5,366,305
Special	1,186,437	366,390	1,403,558	746,491
Vocational	6,806	887	6,972	2,027
Other	864,737	407,665	777,068	396,275
Support services:				
Pupil	220,497	217,023	162,225	160,561
Instructional staff	397,589	371,889	466,468	437,908
Board of education	37,000	37,000	42,768	42,768
Administration	1,134,577	1,134,577	1,220,513	1,220,513
Fiscal	374,931	374,931	401,305	401,305
Operations and maintenance	1,029,223	1,016,374	1,118,182	1,106,598
Pupil transportation	713,839	698,821	635,932	622,423
Central	129,680	129,680	181,953	181,953
Operations of non-instructional services:				
Food service operations	471,509	54,843	481,206	29,648
Other non-instructional services	86,547	5,032	87,869	(1,981)
Extracurricular activities	532,368	296,044	543,304	307,784
Total expenses	<u>\$ 13,049,790</u>	<u>\$ 10,671,503</u>	<u>\$ 13,130,386</u>	<u>\$ 11,020,578</u>

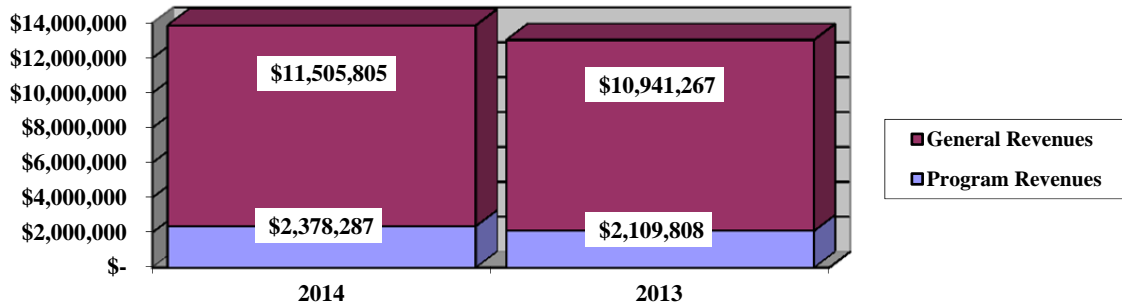
**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent; 79.97% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.78%. 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 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$6,657,102, which is higher than last year's total balance of \$6,500,628. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and June 30, 2013.

	Fund Balance (Deficit) <u>June 30, 2014</u>	Fund Balance (Deficit) <u>June 30, 2013</u>	<u>Change</u>
General	\$ 6,571,317	\$ 6,234,572	\$ 336,745
IDEA Part B	(382,492)	(109,743)	(272,749)
Other Governmental	<u>468,277</u>	<u>375,799</u>	<u>92,478</u>
Total	<u>\$ 6,657,102</u>	<u>\$ 6,500,628</u>	<u>\$ 156,474</u>

General Fund

The District's general fund balance increased \$336,745 in fiscal year 2014.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Property taxes	\$ 3,790,370	\$ 3,556,619	6.57 %
Income taxes	1,882,264	1,753,350	7.35 %
Tuition	514,795	430,982	19.45 %
Earnings on investments	8,107	8,570	(5.40) %
Intergovernmental	5,764,850	5,446,340	5.85 %
Classroom materials and fees	82,517	-	-
Other revenues	<u>130,361</u>	<u>220,494</u>	(40.88) %
Total	<u>\$ 12,173,264</u>	<u>\$ 11,416,355</u>	6.63 %
<u>Expenditures</u>			
Instruction	\$ 7,103,360	\$ 6,838,106	3.88 %
Support services	3,919,914	4,088,837	(4.13) %
Extracurricular activities	<u>373,308</u>	<u>386,188</u>	(3.34) %
Total	<u>\$ 11,396,582</u>	<u>\$ 11,313,131</u>	0.74 %

Overall revenues of the general fund increased \$756,909 or 6.63%. This is due to an increase in tuition revenue from fiscal year 2013. All other revenue classifications remained comparable to fiscal year 2013.

Overall expenditures of the general fund increased \$83,451 or 0.74%. All expenditures changed by small percentages during fiscal year 2014.

IDEA Part B Fund

The IDEA Part B fund had \$335,937 in other financing sources and \$608,686 in expenditures. During fiscal year 2014, the IDEA Part B fund's fund deficit increased from a deficit of \$109,743 to a deficit of \$382,492. This decrease is due to inadequate funding to cover special education expenditures for the fund.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the District did not amend its general fund. For the general fund, original and final budgeted revenues and other financing sources were \$11,238,986. Actual revenues and other financing sources were \$12,007,823. The difference was from not budgeting for tuition revenue and larger than budgeted taxes and intergovernmental revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$12,328,197 were increased to \$12,383,331 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$12,056,041, which was \$327,290 less than the final budgeted amounts.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$2,555,672 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, 2014 balances compared to June 30, 2013 balances.

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

	<i>Governmental Activities</i>	
	2014	2013
Land	\$ 1,098,217	\$ 1,098,217
Land improvements	114,288	18,571
Building and improvements	941,525	1,018,590
Equipment and furniture	79,281	96,895
Vehicles	322,361	399,300
Construction in progress	-	10,257
Total	\$ 2,555,672	\$ 2,641,830

The overall decrease in capital assets of \$86,158 is due to capital asset depreciation expense of \$183,973 exceeding additions of \$97,815 for fiscal year 2014.

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

Debt Administration

At June 30, 2014, the District had no long-term debt outstanding.

Current Financial Related Activities

The District continues to provide an excellent program to students, parents, and community members while spending less than the average Ohio school district. The District spends 14.37% less than the State average for instructional and support services. The Board of Education and management team have carefully managed general fund budgets in order to minimize the need for additional local support. The District had requested an income tax of one percent of earned income in fiscal year 2008 for a five year term, which was renewed in 2012. While the collection of income tax has been slow and initially below the District's estimate by 13.40%, an increase was experienced in fiscal year 2013 for a total of \$1,811,000 or 32.60% of local revenue, and a slight decrease was experienced in fiscal year 2014 for a total of \$1,799,000 or 28.81% of local revenue. It is hoped that the new tax instrument will provide both stability and a chance for economic growth. The District received approximately 50% of its operating revenue from the State and does rely on the sharing of revenue from both the local taxpayer and the school funding formula. The State share of funding decreased slightly from the prior year by 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 \$1,433 less than the average Ohio school district and \$785 less than the average for schools within Wayne County.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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 84.50% of the total. Those values experienced a 0.02% increase for fiscal year 2013, with total values increasing 1.00% from the prior year. Valuation per pupil remains below the County and State averages by 10.41% and 25.80%, respectively. The effective amount of mills levied against residential and agricultural properties is at the State minimum of 20 mills.

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 POSITION
JUNE 30, 2014**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 7,073,969
Cash with fiscal agent	2,942,918
Receivables:	
Property taxes	4,005,096
Income taxes.	781,273
Intergovernmental	455,250
Accrued interest	696
Prepayments	45,368
Materials and supplies inventory.	14,314
Capital assets:	
Land	1,098,217
Depreciable capital assets, net.	1,457,455
Capital assets, net.	2,555,672
 Total assets.	 17,874,556
Liabilities:	
Accounts payable.	13,591
Contracts payable.	7,675
Accrued wages and benefits	958,461
Pension obligation payable.	214,441
Intergovernmental payable	101,379
Claims payable.	108,202
Long-term liabilities:	
Due within one year.	124,501
Due in more than one year.	466,312
 Total liabilities	 1,994,562
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	3,670,246
 Total deferred inflows of resources	 3,670,246
Net position:	
Investment in capital assets	2,555,672
Restricted for:	
Capital projects	477,157
Student activities	27,600
State funded programs.	12,356
Federally funded programs	397,483
Unrestricted.	8,739,480
 Total net position.	 \$ 12,209,748

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Changes in</u>
				<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 5,864,050	\$ 101,800	\$ 201,903	\$ (5,560,347)
Special	1,186,437	57,723	762,324	(366,390)
Vocational	6,806	-	5,919	(887)
Other	864,737	457,072	-	(407,665)
Support services:				
Pupil	220,497	-	3,474	(217,023)
Instructional staff	397,589	4,178	21,522	(371,889)
Board of education	37,000	-	-	(37,000)
Administration	1,134,577	-	-	(1,134,577)
Fiscal	374,931	-	-	(374,931)
Operations and maintenance	1,029,223	12,775	74	(1,016,374)
Pupil transportation	713,839	-	15,018	(698,821)
Central	129,680	-	-	(129,680)
Operation of non-instructional services:				
Food service operations	471,509	207,011	209,655	(54,843)
Other non-instructional services	86,547	645	80,870	(5,032)
Extracurricular activities	532,368	236,324	-	(296,044)
Total governmental activities	\$ 13,049,790	\$ 1,077,528	\$ 1,300,759	(10,671,503)

General revenues:

Property taxes levied for:

General purposes	3,794,369
Capital projects	257,212
School district income taxes	1,888,995
Grants and entitlements not restricted	
to specific programs	5,516,196
Investment earnings	15,734
Miscellaneous	33,299
Total general revenues	11,505,805

Change in net position 834,302

Net position at beginning of year 11,375,446

Net position at end of year \$ 12,209,748

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>IDEA Part B</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 6,532,034	\$ 2,218	\$ 539,717	\$ 7,073,969
Receivables:				
Property taxes	3,749,340	-	255,756	4,005,096
Income taxes	781,273	-	-	781,273
Intergovernmental	13,523	299,546	142,181	455,250
Accrued interest	696	-	-	696
Interfund loans receivable	299,546	-	-	299,546
Prepayments	45,368	-	-	45,368
Materials and supplies inventory	-	-	14,314	14,314
Advances to other funds	500	-	-	500
Total assets	<u>\$ 11,422,280</u>	<u>\$ 301,764</u>	<u>\$ 951,968</u>	<u>\$ 12,676,012</u>
Liabilities:				
Accounts payable	\$ 13,012	\$ 242	\$ 337	\$ 13,591
Contracts payable	-	-	7,675	7,675
Accrued wages and benefits	822,700	72,380	63,381	958,461
Pension obligation payable	178,735	9,091	26,615	214,441
Compensated absences payable	84,774	-	-	84,774
Intergovernmental payable	94,958	3,451	2,970	101,379
Interfund loans payable	-	299,546	-	299,546
Advance from other funds	-	-	500	500
Total liabilities	<u>1,194,179</u>	<u>384,710</u>	<u>101,478</u>	<u>1,680,367</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	3,435,873	-	234,373	3,670,246
Delinquent property tax revenue not available	82,961	-	5,659	88,620
Other nonexchange transactions not available	13,523	299,546	142,181	455,250
Income tax revenue not available	124,427	-	-	124,427
Total deferred inflows of resources	<u>3,656,784</u>	<u>299,546</u>	<u>382,213</u>	<u>4,338,543</u>
Fund balances:				
Nonspendable:				
Prepayments	45,368	-	-	45,368
Materials and supplies inventory	-	-	14,314	14,314
Long-term loans	500	-	-	500
Unclaimed monies	12,472	-	-	12,472
Restricted:				
Capital improvements	-	-	471,498	471,498
Non-public schools	-	-	1,540	1,540
Targeted academic assistance	-	-	152	152
Extracurricular	-	-	27,600	27,600
Other purposes	-	-	9,689	9,689
Assigned:				
Student instruction	94,323	-	-	94,323
Student and staff support	123,966	-	-	123,966
Subsequent year's appropriations	662,172	-	-	662,172
School supplies	56,461	-	-	56,461
Other purposes	914	-	-	914
Unassigned (deficit)	5,575,141	(382,492)	(56,516)	5,136,133
Total fund balances (deficit)	<u>6,571,317</u>	<u>(382,492)</u>	<u>468,277</u>	<u>6,657,102</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,422,280</u>	<u>\$ 301,764</u>	<u>\$ 951,968</u>	<u>\$ 12,676,012</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	6,657,102
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,555,672
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	88,620	
Income taxes receivable		124,427	
Intergovernmental receivable		<u>455,250</u>	
Total			668,297
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			2,834,716
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.			<u>(506,039)</u>
Net position of governmental activities		\$	<u><u>12,209,748</u></u>

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, 2014**

	<u>General</u>	<u>IDEA Part B</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,790,370	\$ -	\$ 257,396	\$ 4,047,766
Income taxes	1,882,264	-	-	1,882,264
Tuition	514,795	-	-	514,795
Charges for services	-	-	207,011	207,011
Earnings on investments	8,107	-	-	8,107
Extracurricular	84,305	-	152,019	236,324
Classroom materials and fees	82,517	-	24,124	106,641
Rental income	12,757	-	-	12,757
Other local revenues	33,299	-	-	33,299
Intergovernmental - intermediate	7,768	-	-	7,768
Intergovernmental - state	5,757,082	-	260,140	6,017,222
Intergovernmental - federal	-	-	358,531	358,531
Total revenues	<u>12,173,264</u>	<u>-</u>	<u>1,259,221</u>	<u>13,432,485</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,685,030	-	284,074	5,969,104
Special	545,652	584,728	109,335	1,239,715
Vocational	7,941	-	1,312	9,253
Other	864,737	-	-	864,737
Support services:				
Pupil	232,197	-	3,524	235,721
Instructional staff	382,924	9,359	27,417	419,700
Board of education	37,000	-	-	37,000
Administration	1,129,956	-	2,423	1,132,379
Fiscal	377,675	-	3,192	380,867
Operations and maintenance	968,472	-	117,662	1,086,134
Pupil transportation	662,010	-	-	662,010
Central	129,680	-	-	129,680
Operation of non-instructional services:				
Food service operations	-	-	492,230	492,230
Other non-instructional services	-	14,599	76,334	90,933
Extracurricular activities	373,308	-	153,240	526,548
Total expenditures	<u>11,396,582</u>	<u>608,686</u>	<u>1,270,743</u>	<u>13,276,011</u>
Excess (deficiency) of revenues over (under) expenditures	<u>776,682</u>	<u>(608,686)</u>	<u>(11,522)</u>	<u>156,474</u>
Other financing sources (uses):				
Transfers in	-	335,937	104,000	439,937
Transfers (out)	<u>(439,937)</u>	<u>-</u>	<u>-</u>	<u>(439,937)</u>
Total other financing sources (uses)	<u>(439,937)</u>	<u>335,937</u>	<u>104,000</u>	<u>-</u>
Net change in fund balances	336,745	(272,749)	92,478	156,474
Fund balances (deficit) at beginning of year	<u>6,234,572</u>	<u>(109,743)</u>	<u>375,799</u>	<u>6,500,628</u>
Fund balances (deficit) at end of year	<u>\$ 6,571,317</u>	<u>\$ (382,492)</u>	<u>\$ 468,277</u>	<u>\$ 6,657,102</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, 2014**

Net change in fund balances - total governmental funds	\$	156,474
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 97,815	
Current year depreciation	<u>(183,973)</u>	(86,158)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	3,815	
Income taxes	6,731	
Intergovernmental revenue	<u>433,434</u>	
Total		443,980
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.		
		(5,450)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>325,456</u>
Change in net position of governmental activities	\$	<u>834,302</u>

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, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 3,733,112	\$ 3,733,112	\$ 3,874,492	\$ 141,380
Income taxes	1,743,875	1,743,875	1,799,232	55,357
Tuition	-	-	514,795	514,795
Earnings on investments	7,653	7,653	7,896	243
Rental income	12,365	12,365	12,757	392
Other local revenues	35,638	35,638	36,769	1,131
Intergovernmental - state	5,550,344	5,550,344	5,757,082	206,738
Total revenues	11,082,986	11,082,986	12,003,023	920,037
Expenditures:				
Current:				
Instruction:				
Regular	5,805,260	5,556,540	5,493,662	62,878
Special	634,763	608,278	619,847	(11,569)
Vocational	8,613	9,719	7,916	1,803
Other	472,127	450,739	886,331	(435,592)
Support services:				
Pupil	179,923	232,805	223,145	9,660
Instructional staff	478,843	459,077	401,726	57,351
Board of education	47,444	45,594	37,132	8,462
Administration	1,352,617	1,332,410	1,168,245	164,165
Fiscal	440,073	422,440	371,973	50,467
Operations and maintenance	1,198,339	1,173,364	1,003,030	170,334
Pupil transportation	815,272	791,615	675,520	116,095
Central	242,657	235,677	140,100	95,577
Extracurricular activities	333,815	323,469	287,931	35,538
Facilities acquisition and construction	83	83	-	83
Total expenditures	12,009,832	11,641,810	11,316,558	325,252
Excess (deficiency) of expenditures over (under) revenues	(926,846)	(558,824)	686,465	1,245,289
Other financing sources (uses):				
Transfers (out)	(302,923)	(441,003)	(439,937)	1,066
Advances in	156,000	156,000	-	(156,000)
Advances (out)	(15,443)	(300,518)	(299,546)	972
Sale of capital assets	-	-	4,800	4,800
Total other financing sources (uses)	(162,365)	(585,521)	(734,683)	(149,162)
Net change in fund balance	(1,089,211)	(1,144,345)	(48,218)	1,096,127
Fund balance at beginning of year	5,989,880	5,989,880	5,989,880	-
Prior year encumbrances appropriated	281,204	281,204	281,204	-
Fund balance at end of year	\$ 5,181,873	\$ 5,126,739	\$ 6,222,866	\$ 1,096,127

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)
IDEA PART B
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - federal	\$ 308,175	\$ 308,175	\$ -	\$ (308,175)
Total revenue	<u>308,175</u>	<u>308,175</u>	<u>-</u>	<u>(308,175)</u>
Expenditures:				
Current:				
Instruction:				
Special.	781,521	1,063,550	611,485	452,065
Support Services:				
Instructional staff	2,224	9,724	9,359	365
Operation of non-instructional services	-	19,000	15,564	3,436
Total expenditures	<u>783,745</u>	<u>1,092,274</u>	<u>636,408</u>	<u>455,866</u>
Excess of expenditures over revenues.	<u>(475,570)</u>	<u>(784,099)</u>	<u>(636,408)</u>	<u>147,691</u>
Other financing sources:				
Transfers in	253,760	253,760	335,937	82,177
Advances in.	-	-	299,546	299,546
Total other financing sources	<u>253,760</u>	<u>253,760</u>	<u>635,483</u>	<u>381,723</u>
Net change in fund balance	(221,810)	(530,339)	(925)	529,414
Fund balance at beginning of year	<u>925</u>	<u>925</u>	<u>925</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (220,885)</u>	<u>\$ (529,414)</u>	<u>\$ -</u>	<u>\$ 529,414</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	<u>Governmental Activities - Internal Service Funds</u>
Assets:	
Current assets:	
Cash with fiscal agent	\$ 2,942,918
Total assets.	<u>2,942,918</u>
Liabilities:	
Current liabilities:	
Claims payable	<u>108,202</u>
Total liabilities	<u>108,202</u>
Net position:	
Unrestricted.	<u>2,834,716</u>
Total net position.	<u>\$ 2,834,716</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:	
Charges for services	\$ 1,935,839
Total operating revenues	<u>1,935,839</u>
Operating expenses:	
Personal services	9,221
Purchased services	617,172
Claims	991,617
Total operating expenses	<u>1,618,010</u>
Operating income	<u>317,829</u>
Nonoperating revenues:	
Interest revenue	<u>7,627</u>
Total nonoperating revenues	<u>7,627</u>
Change in net position	325,456
Net position at beginning of year	<u>2,509,260</u>
Net position at end of year	<u><u>\$ 2,834,716</u></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, 2014**

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 1,935,839
Cash payments for personal services	(9,221)
Cash payments for purchased services	(617,172)
Cash payments for claims	<u>(1,005,162)</u>
 Net cash provided by operating activities	 <u>304,284</u>
Cash flows from investing activities:	
Interest received	<u>7,627</u>
 Net cash provided by investing activities	 <u>7,627</u>
 Net increase in cash with fiscal agent.	 311,911
 Cash with fiscal agent at beginning of year	 <u>2,631,007</u>
Cash with fiscal agent at end of year	<u>\$ 2,942,918</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 317,829
Changes in liabilities:	
Claims payable	<u>(13,545)</u>
 Net cash provided by operating activities.	 <u>\$ 304,284</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 1,593	\$ 21,777
Total assets.	1,593	\$ 21,777
Liabilities:		
Due to students.	-	\$ 21,777
Total liabilities	-	\$ 21,777
Net position:		
Held in trust for scholarships	1,593	
Total net position.	\$ 1,593	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 110
Total additions.	110
 Reductions:	
Scholarships awarded	542
Change in net position	(432)
Net position at beginning of year.	2,025
Net position at end of year	\$ 1,593

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is staffed by 99 certified full-time teaching personnel and 61 classified employees who provide services to 1,452 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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 and deferred inflows of resources 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.

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

C. Basis of Presentation and Measurement Focus

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

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

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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

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

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

D. Basis of Accounting

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

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, 2014
(Continued)**

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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes, grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources 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 inflows of resources.

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.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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 2014 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the object level within each function for the general fund and at the fund level of expenditures for all other funds, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the object level within each function for the general fund and at the fund level of expenditures for all other funds, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any object within each function for the general fund and the fund level for all other funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
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, 2014; 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
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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 investments" on the basic financial statements.

During fiscal year 2014, 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, 2014.

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 2014 amounted to \$8,107, which includes \$752 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.

H. Capital Assets

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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 2014, 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". On fund financials, receivables and payables resulting from long-term interfund loans are classified as "advances to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

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, 2014
(Continued)**

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, 2014, 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, 2014, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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, 2014
(Continued)**

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 Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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. At June 30, 2014, the balance in the budget stabilization reserve was \$150,386. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

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 2014.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
IDEA Part B	\$ 382,492
 <u>Nonmajor governmental funds</u>	
Food service	25,785
Public School Preschool	11,674
Title I	4,743

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.

C. Budgetary Compliance

Contrary to Ohio Revised Code Section 5705.39, at June 30, 2014, the District had three funds with appropriations exceeding estimated resources.

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
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits must be evidenced by time certificates of deposit maturing or by savings or deposit accounts including passbook accounts.

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

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

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

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
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$3,128,057. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$115,816 of the District's bank balance of \$3,374,895 was exposed to custodial risk as discussed below, while \$3,259,079 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 \$2,942,918. 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, 2014, 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	\$ 3,969,282	\$ 3,969,282

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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 3,969,282	100.00

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 3,128,057
Cash with fiscal agent	2,942,918
Investments	<u>3,969,282</u>
Total	<u>\$ 10,040,257</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 10,016,887
Private purpose trust fund	1,593
Agency funds	<u>21,777</u>
Total	<u>\$ 10,040,257</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2014 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	IDEA Part B	<u>\$ 299,546</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, 2014 as reported on the fund financial statements, consisted of the following:

<u>Transfer from general fund to:</u>	<u>Amount</u>
IDEA Part B	\$ 335,937
Nonmajor governmental funds	<u>104,000</u>
Total	<u>\$ 439,937</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.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

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

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 500

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.

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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$230,506 in the general fund and \$15,724 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$314,628 in the general fund and \$23,282 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.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 170,673,690	90.58	\$ 171,787,630	89.99
Public utility personal	<u>17,740,440</u>	<u>9.42</u>	<u>19,107,340</u>	<u>10.01</u>
Total	<u>\$ 188,414,130</u>	<u>100.00</u>	<u>\$ 190,894,970</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$37.50		\$39.40	
Permanent improvement	1.90		1.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, income taxes, grants and entitlements (reported as "intergovernmental") and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the guarantee of federal funds.

A summary of the items of receivables reported on the statement of Net Position follows:

Governmental activities:

Property taxes	\$ 4,005,096
Income taxes	781,273
Intergovernmental	455,250
Accrued interest	<u>696</u>
Total	<u>\$ 5,242,315</u>

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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 \$1,882,264 during fiscal year 2014.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows. Certain amounts have been reclassified between buildings and improvements and equipment and furniture at June 30, 2013. This reclassification has no effect on net position.

	Reclassified Balance <u>06/30/13</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/14</u>
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,098,217	\$ -	\$ -	\$ 1,098,217
Construction in progress	<u>10,257</u>	<u>-</u>	<u>(10,257)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,108,474</u>	<u>-</u>	<u>(10,257)</u>	<u>1,098,217</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	676,483	103,146	-	779,629
Buildings and improvements	5,083,195	4,926	-	5,088,121
Equipment and furniture	1,431,830	-	-	1,431,830
Vehicles	1,597,609	-	-	1,597,609
Library books	<u>616,859</u>	<u>-</u>	<u>-</u>	<u>616,859</u>
Total capital assets, being depreciated	<u>9,405,976</u>	<u>108,072</u>	<u>-</u>	<u>9,514,048</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(657,912)	(7,429)	-	(665,341)
Buildings and improvements	(4,064,605)	(81,991)	-	(4,146,596)
Equipment and furniture	(1,334,935)	(17,614)	-	(1,352,549)
Vehicles	(1,198,309)	(76,939)	-	(1,275,248)
Library books	<u>(616,859)</u>	<u>-</u>	<u>-</u>	<u>(616,859)</u>
Total accumulated depreciation	<u>(7,872,620)</u>	<u>(183,973)</u>	<u>-</u>	<u>(8,056,593)</u>
Governmental activities capital assets, net	<u>\$ 2,641,830</u>	<u>\$ (75,901)</u>	<u>\$ (10,257)</u>	<u>\$ 2,555,672</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 9 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 63,868
<u>Support services:</u>	
Instructional staff	826
Administration	1,143
Operations and maintenance	37,168
Pupil transportation	74,833
Extracurricular activities	5,820
Food service operations	<u>315</u>
Total depreciation expense	<u>\$ 183,973</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During fiscal year 2014, the following changes occurred to the long-term obligations of governmental activities:

	Balance			Balance	Amount Due
<u>Governmental activities:</u>	<u>06/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/14</u>	<u>In One Year</u>
Compensated absences	<u>\$ 550,127</u>	<u>\$ 129,472</u>	<u>\$ (88,786)</u>	<u>\$ 590,813</u>	<u>\$ 124,501</u>

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, 2014, are a voted debt margin of \$17,180,547 and an unvoted debt margin of \$190,895.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 11 - EMPLOYEE BENEFITS

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be earned up to a maximum of fifteen days per year for all personnel. The total lifetime maximum sick leave accumulation is 282 days for certified personnel and 282 days for classified personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 70 days for certified employees and 71 days for classified employees.

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 2014, the District contracted with Ohio Casualty Insurance Company for general liability insurance, property insurance, and boiler coverage. Liability coverage is limited to \$5,000,000 per claim and the boiler and property insurance carries a limitation of \$40,754,420 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 the Jefferson Health Plan and provides stop loss protection of \$30,000 per individual per year. The claims liability of \$108,202 reported in the internal service fund at June 30, 2014 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.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 12 - RISK MANAGEMENT (Continued)

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>
2014	\$ 121,747	\$ 991,617	\$ (1,005,162)	\$ 108,202
2013	101,041	1,122,331	(1,101,625)	121,747

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.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

NOTE 13 - 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, 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 2014, 13.05 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 14 percent for plan members and 14 percent for employers.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 13 - PENSION PLANS - (Continued)

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, 2014, 2013 and 2012 were \$195,218, \$200,105 and \$189,274, respectively; 80.91 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, under "Publications".

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 2014, plan members were required to contribute 11 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 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 13 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$724,032, \$724,519 and \$708,416, respectively; 83.26 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$53,361 made by the District and \$41,926 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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 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, 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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

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, 2014, 2013 and 2012 were \$29,775, \$25,926 and \$31,807, respectively; 80.91 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$11,326, \$11,304 and \$11,178, respectively; 80.91 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, 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 2014, 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, 2014, 2013 and 2012 were \$55,695, \$55,732 and \$54,494, respectively; 83.26 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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);

**CHIPPEWA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

Net Change in Fund Balance

	<u>General fund</u>	<u>IDEA Part B</u>
Budget basis	\$ (48,218)	\$ (925)
Net adjustment for revenue accruals	(4,702)	-
Net adjustment for expenditure accruals	(97,373)	25,504
Net adjustment for other sources/uses	294,746	(299,546)
Funds budgeted elsewhere	438	
Adjustment for encumbrances	191,854	2,218
GAAP basis	\$ 336,745	\$ (272,749)

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

NOTE 16 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, 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, 2014
(Continued)**

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. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	241,613
Current year qualifying expenditures	-
Current year offsets	<u>(324,934)</u>
Total	<u>\$ (83,321)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

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

NOTE 18 - COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 172,094
IDEA Part B	1,976
Nonmajor governmental funds	<u>81,903</u>
Total	<u>\$ 255,973</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>(Passed Through Ohio Department of Education)</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Program):			
National School Lunch Program	10.555	\$ 23,615	\$ 23,615
Cash Assistance:			
National School Lunch Program	10.555	179,603	179,603
Total Child Nutrition Cluster		<u>203,218</u>	<u>203,218</u>
State Administrative Expenses for Child Nutrition	10.560	-	<u>13,975</u>
Total U.S. Department of Agriculture		<u>203,218</u>	<u>217,193</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>(Passed Through Ohio Department of Education)</i>			
Title I Grants to Local Educational Agencies	84.010	119,099	120,492
Special Education - Grants to States (IDEA, Part B)	84.027	-	299,546
Improving Teacher Quality State Grants	84.367	<u>28,827</u>	<u>33,772</u>
Total U.S. Department of Education		<u>147,926</u>	<u>453,810</u>
Total Federal Awards Receipts and Expenditures		<u>\$ 351,144</u>	<u>\$ 671,003</u>

See Accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

The District 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

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa Local School District, Wayne County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

District's Response to Finding

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

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

March 13, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Chippewa Local School District's, Wayne County, Ohio (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Chippewa Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Special Education – Grants to States

As described in finding 2014-002 in the accompanying schedule of findings, the District did not comply with requirements regarding Maintenance of Effort 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.

Qualified Opinion on Special Education – Grants to States

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education – Grants to States* paragraph, the Chippewa Local School District, Wayne County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education-Grants to States program for the year ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Chippewa Local School District, Wayne County, Ohio, complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as items 2014-003 and 2014-004. These findings did not require us to modify our compliance opinion on each major federal program.

The District's responses to our noncompliance findings are described in the accompanying corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

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

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 material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's 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 as item 2014-002 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's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-003 to be a significant deficiency.

The District's responses to our internal control over compliance findings are described in the accompanying corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 13, 2015

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**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(CONTINUED)

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

Finding Number 2014-001

Noncompliance

Ohio Rev. Code § 5705.39 states in part that total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The following funds had appropriations in excess of estimated resources as of June 30, 2014:

Fund Name	Appropriations	Estimated Resources	Variance
Major Fund:			
IDEA B Fund	\$1,092,274	\$562,860	(\$529,414)
Nonmajor Funds:			
Food Service Fund	496,648	466,720	(29,928)
Title I Fund	229,854	163,176	(96,678)

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

Because the District did not submit any budgetary documents to the County Auditor (other than the original tax budget), the Certificate of Estimated Resources was prepared using that document. As such, the Estimated Resources were at the fund type level. Therefore, for our testing purposes, we used the estimated resources as documented in the District's Revenue Ledger.

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

Officials' Response:

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(CONTINUED)**

3. FINDINGS FOR FEDERAL AWARDS

Special Education – Maintenance of Effort

Finding Number	2014-002
CFDA Title and Number	Special Education - Grants to States, CFDA #84.027
Federal Award Number / Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness

34 CFR 300.203 and Section 9521 of the No Child Left Behind (NCLB) Act reads in part that a local educational agency may receive funds under a covered program for any fiscal year only if the State educational agency finds that either the combined fiscal effort per student or the aggregate expenditures of the agency and the State with respect to the provision of free public education by the agency for the preceding fiscal year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding fiscal year.

The District did not meet the 90 percent requirement on its 2012 level of effort from the 2011 funding level as determined by the Ohio Department of Education. The fiscal year 2014 allocations are affected by the maintenance of effort calculation performed in the previous year. The fiscal year 2013 maintenance of effort calculations compare fiscal year 2012 to fiscal year 2011. Therefore, for fiscal year 2014, fiscal year 2012 information is tested.

The District should expend the required State and local combined fiscal effort per student amount of at least 90% of its preceding year to achieve the proper maintenance of effort for its federal Special Education IDEA funding.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(CONTINUED)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

National School Lunch Program – Eligibility

Finding Number	2014-003
CFDA Title and Number	National School Lunch Program, CFDA #10.555
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Noncompliance/Significant Deficiency

C.F.R. § 245.6 (a) states that each local educational agency for schools participating in the National School Lunch Program, School Breakfast Program, Special Milk Program, or a commodity only school, shall provide meal benefit forms for use by families in making application for free or reduced price meals or free milk for their children.

Pursuant to **7 C.F.R. § 245.6 (c)(4)**, the local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in § 245.2, the children in that household must be approved for free or reduced price benefits, as applicable.

We noted one out of forty (2.5 percent) free and reduced lunch applications tested for fiscal year 2014 was incorrectly calculated and approved by the Food Service Director for free lunches. Based on the household's total current income and the income eligibility limits, the application should have resulted in paid lunches.

We recommend the District's Food Service Director thoroughly review the annual free and reduced price lunch applications to ensure all children receive the benefits they are entitled to and the District is accurately reimbursed based on student eligibility.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(CONTINUED)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Federal Schedule

Finding Number	2014-004
CFDA Title and Number	National School Lunch Program, CFDA #10.555 Special Education - Grants to States, CFDA #84.027
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (the Circular)*, sets forth standards for the audit of non-Federal entities expending Federal awards. Section .300(a) of the Circular states the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

Section .310(b) states, in part, the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For Research and Development, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each federal program.
6. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Also, the Ohio Department of Education requires Ohio schools to present receipts from federal awards on the schedule of federal awards.

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(CONTINUED)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Federal Schedule - Continued

The original federal awards receipts and expenditures schedule prepared by the District for fiscal year 2014 required the following adjustments to be made:

- Expenditures of \$13,975 related to the State Administrative Expenses for Child Nutrition were not originally included on the schedule.
- Improving Teacher Quality State Grants expenditures should have been \$33,772 rather than the reported \$39,358, which would have included expenditures of local money that had been transferred into the fund.
- Special Education – Grants to States expenditures should have been \$299,546 rather than the reported \$634,190, which would have included expenditures of local money that had been transferred into the fund.

The District adjusted the schedule of federal awards receipts and expenditures to reflect these adjustments.

Failure to identify federal awards and accurately prepare a federal awards receipts and expenditures schedule may result in noncompliance with the Circular and may compromise the District's ability to obtain federal awards in the future.

We recommend the District implement procedures to track and readily identify the receipt and disbursement of all federal awards. The District should use this information to ensure accurate preparation of the federal awards receipts and expenditures schedule at year end.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Noncompliance – Ohio Rev. Code § 5705.10 – The District had negative fund balances.	No	Repeated in Management Letter.
2013-002	Noncompliance/Significant Deficiency – 7 CFR Part 245.3(a) – The District had 2 free and reduced lunch applications that were improperly awarded benefits.	No	Repeated as Schedule of Findings Number 2014-003

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-002	The district will make a more concerted effort to ensure that only those employee costs needed to meet program requirements for the Comprehensive Continuous Improvement Plan are charged to those funds. It will allow the remaining employees to be charged back to the General Fund without the need to transfer funds to resolve any maintenance of effort requirements.	Immediately	Steve Workman, Treasurer
2014-003	The district will provide a second person to review free and reduced lunch applications to provide additional screening in the verification process.	Immediately	Steve Workman, Treasurer
2014-004	The district will place additional importance on ensuring that the schedule for federal programs is adjusted to reflect the most current and up to date expenditure totals	Immediately	Steve Workman, Treasurer