



Dave Yost • Auditor of State

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Chippewa Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Chippewa Local School District, Wayne County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As further described in Note 3 to the basic financial statements, the District restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54. In addition, the District restated its July 1, 2010 general fund budgetary basis fund balance due to only reporting the legally budgeted general fund in the budgetary statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

March 23, 2012

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities increased \$1,237,202, which represents a 13.21% increase from fiscal year 2010.
- General revenues accounted for \$10,851,835 in revenue, or 80.75% of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$2,586,218 in revenue, or 19.25% of total revenues of \$13,438,053.
- The District had \$12,200,851 in expenses related to governmental activities; \$2,586,218 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 \$10,851,835 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The District restated fund balances at June 30, 2010 as described in Note 3.B to the basic financial statements. The general fund had \$10,901,487 in revenues and \$9,771,628 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance increased \$1,129,859 from a balance of \$4,364,956 to \$5,494,815.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-52 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. A comparative analysis has been provided.

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current and other assets	\$ 13,218,786	\$ 11,788,409
Capital assets, net	<u>2,856,768</u>	<u>2,979,005</u>
Total assets	<u>16,075,554</u>	<u>14,767,414</u>
<u>Liabilities</u>		
Current liabilities	4,871,569	4,799,423
Long-term liabilities	<u>597,795</u>	<u>599,003</u>
Total liabilities	<u>5,469,364</u>	<u>5,398,426</u>
<u>Net Assets</u>		
Invested in capital assets	2,856,768	2,979,005
Restricted	873,377	920,160
Unrestricted	<u>6,876,045</u>	<u>5,469,823</u>
Total net assets	<u>\$ 10,606,190</u>	<u>\$ 9,368,988</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$10,606,190. At year-end, unrestricted net assets were \$6,876,045.

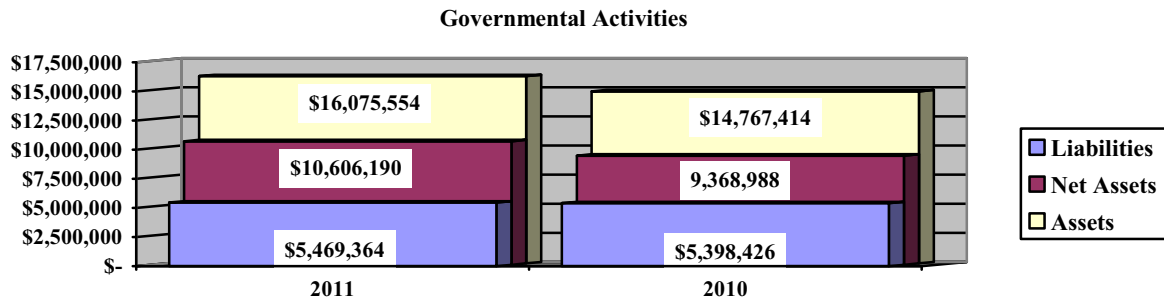
**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

At year-end, capital assets represented 17.77% 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, 2011, the amount invested in capital assets, was \$2,856,768. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$873,377, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$6,876,045.

The graph below illustrates the District's assets, liabilities and net assets at June 30, 2011 and June 30, 2010.



The table below shows the change in net assets for fiscal years 2011 and 2010.

	Change in Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 582,985	\$ 686,062
Operating grants and contributions	2,003,233	1,458,628
General revenues:		
Property taxes	3,747,404	3,965,043
School district income taxes	1,720,361	1,421,594
Grants and entitlements	5,307,437	5,357,504
Investment earnings	49,062	48,863
Other	27,571	32,261
Total revenues	<u>13,438,053</u>	<u>12,969,955</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

	Change in Net Assets	
	Governmental Activities	Governmental Activities
	<u>2011</u>	<u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,268,250	\$ 5,343,579
Special	1,583,360	964,799
Vocational	21,933	26,344
Other	237,088	339,229
Support services:		
Pupil	166,264	169,612
Instructional staff	491,262	528,109
Board of education	41,165	52,726
Administration	1,144,782	1,039,523
Fiscal	372,610	365,136
Operations and maintenance	1,055,488	1,296,231
Pupil transportation	618,014	584,428
Central	157,896	169,120
Operations of non-instructional services:		
Food service operations	445,514	478,285
Other non-instructional services	116,444	96,543
Extracurricular activities	<u>480,781</u>	<u>499,848</u>
Total expenses	<u>12,200,851</u>	<u>11,953,512</u>
Change in net assets	1,237,202	1,016,443
Net assets at beginning of year	<u>9,368,988</u>	<u>8,352,545</u>
Net assets at end of year	<u>\$ 10,606,190</u>	<u>\$ 9,368,988</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,237,202. Total governmental expenses of \$12,200,851 were offset by program revenues of \$2,586,218 and general revenues of \$10,851,835. Program revenues supported 21.20% 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 80.18% of total governmental revenue. The increase in operating grants and contributions is attributable to monies received during fiscal year 2011 related to the PATHway to Student Success program, which is administered through the Ohio Department of Education. The increase is also attributable to federal monies available during fiscal year 2011 related to the Education Jobs program.

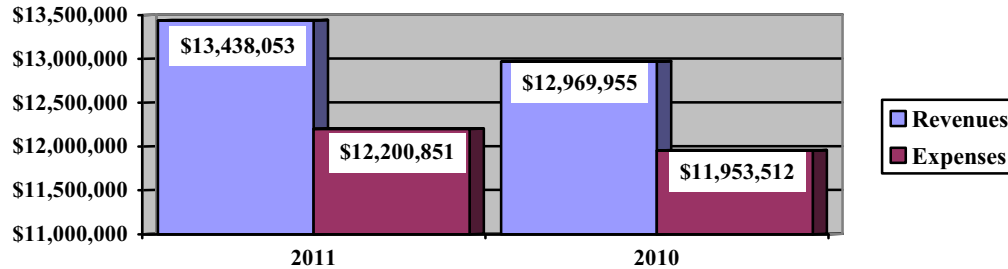
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,110,631 or 58.28% of total governmental expenses for fiscal year 2011.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

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 2011 and 2010. 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 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses				
Instruction:				
Regular	\$ 5,268,250	\$ 4,579,965	\$ 5,343,579	\$ 5,019,907
Special	1,583,360	604,206	964,799	(3,122)
Vocational	21,933	16,988	26,344	21,436
Other	237,088	237,088	339,229	339,229
Support services:				
Pupil	166,264	165,398	169,612	160,610
Instructional staff	491,262	448,406	528,109	490,481
Board of education	41,165	38,382	52,726	52,726
Administration	1,144,782	1,112,583	1,039,523	1,039,523
Fiscal	372,610	364,461	365,136	365,136
Operations and maintenance	1,055,488	1,032,712	1,296,231	1,285,509
Pupil transportation	618,014	595,302	584,428	574,406
Central	157,896	157,896	169,120	169,120
Operations of non-instructional services:				
Food service operations	445,514	(6,591)	478,285	368
Other non-instructional services	116,444	69	96,543	26,733
Extracurricular activities	480,781	267,768	499,848	266,760
Total expenses	<u>\$ 12,200,851</u>	<u>\$ 9,614,633</u>	<u>\$ 11,953,512</u>	<u>\$ 9,808,822</u>

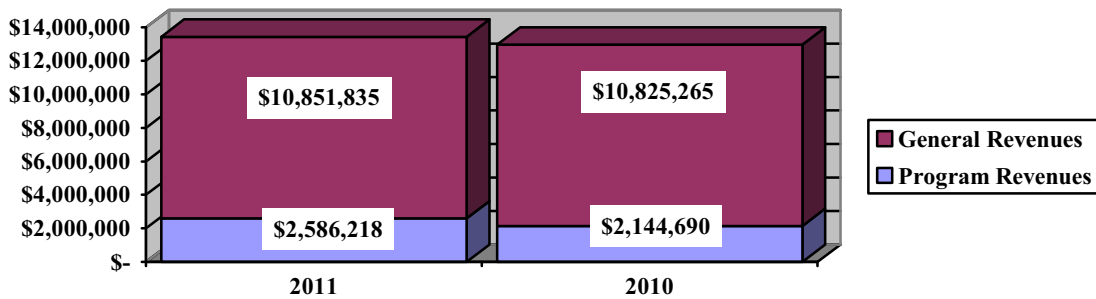
**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent; 76.48% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.80%. 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 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$5,997,289, which is greater than last year's total restated balance of \$4,880,749 (as described in Note 3.B). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and June 30, 2010.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	Increase/ (Decrease)
General	\$ 5,494,815	\$ 4,364,956	\$ 1,129,859
Other Governmental	502,474	515,793	(13,319)
Total	<u>\$ 5,997,289</u>	<u>\$ 4,880,749</u>	<u>\$ 1,116,540</u>

General Fund

The District's general fund's fund balance increased by \$1,129,859. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

	<u>2011</u>	<u>Restated</u> <u>2010</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Property taxes	\$ 3,499,885	\$ 3,732,551	(6.23) %
Income taxes	1,720,361	1,421,594	21.02 %
Earnings on investments	3,607	5,815	(37.97) %
Intergovernmental	5,441,231	5,336,070	1.97 %
Other revenues	<u>236,403</u>	<u>251,634</u>	(6.05) %
Total	<u>\$ 10,901,487</u>	<u>\$ 10,747,664</u>	1.43 %
<u>Expenditures</u>			
Instruction	\$ 5,626,114	\$ 5,875,276	(4.24) %
Support services	3,774,830	3,938,993	(4.17) %
Operation of non-instructional services	156	-	100.00 %
Extracurricular activities	<u>352,028</u>	<u>357,288</u>	(1.47) %
Total	<u>\$ 9,753,128</u>	<u>\$ 10,171,557</u>	(4.11) %

Overall revenues of the general fund increased \$153,823 or 1.43%. The most significant increase was in the area of income taxes, which increased \$298,767 or 21.02%. This increase is mainly attributable to a rebounding local economy that is producing income tax receipts more in line with original expectations when the income tax rate was passed in fiscal year 2008. Earnings on investments decreased \$2,208 or 37.97% due to declining interest rates. All other revenue in the general fund remained comparable to fiscal year 2010.

Overall expenditures of the general fund decreased \$418,429 or 4.11%. The minimal decreases in the various expenditure categories are a result of the District attempting to remain fiscally responsible during difficult economic times.

General Fund Budgeting Highlights

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

For the general fund, final budgeted revenues and other financing sources were \$10,916,004, which was the same as the original budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal year 2011 were \$10,943,816. This represents a \$27,812 increase from final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$10,751,999 were decreased to \$10,554,474 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$9,732,855, which was \$821,619 less than the final budgeted amounts.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$2,856,768 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, 2011 balances compared to June 30, 2010 balances.

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 1,098,217	\$ 1,098,217
Land improvements	59,846	59,540
Building and improvements	1,029,392	1,105,768
Equipment and furniture	171,041	220,282
Vehicles	478,327	488,628
Library books	1,689	6,570
Construction in progress	<u>18,256</u>	<u>-</u>
Total	<u>\$ 2,856,768</u>	<u>\$ 2,979,005</u>

The overall decrease in capital assets of \$122,237 is due to capital asset additions of \$130,679 being less than the \$252,916 in depreciation expense for fiscal year 2011.

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

Debt Administration

At June 30, 2011, the District had no long-term debt outstanding.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Current Financial Related Activities

The District continues to provide an excellent program to students, parents, and community members while spending less than the average Ohio school district. The District spends 23.04% 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. While the collection of income tax has been slow and below the District's estimate by 14.50%, an increase was experienced in fiscal year 2011 and it is hoped that the new tax instrument will provide both stability and a chance for economic growth. The District received 51.45% 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 increased slightly from the prior year by 0.05%.

The District experienced continued improvement in student achievement in fiscal year 2011. 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 29 out of 30 indicators. The District was able to provide the services necessary to obtain the student achievement while spending \$2,248 less than the average Ohio school district and \$1,642 less than the average for schools within Wayne County.

The District has a low commercial and industrial tax base and relies heavily on residential support for local funding. The District valuation includes residential and agricultural values that equal 88.31% of the total. Those values experienced a 0.37% increase for fiscal year 2011 with total values increasing 0.65% from the prior year. Valuation per pupil remains below the County and State averages by 10.80% and 27.40%, respectively. The effective amount of mills levied against residential and agricultural properties is at the State minimum of 20 mills.

The District has also experienced an increase in State funding through the State foundation program. The increase for fiscal year 2011 was 5.17%, which was largely due to federal stimulus monies received by the District.

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, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 6,568,620
Cash with fiscal agent	2,061,023
Receivables:	
Property taxes	3,618,659
Income taxes.	636,748
Accounts.	1,734
Intergovernmental	285,884
Accrued interest.	409
Prepayments	25,415
Materials and supplies inventory.	20,294
Capital assets:	
Land and construction in progress.	1,116,473
Depreciable capital assets, net.	1,740,295
Capital assets, net.	2,856,768
 Total assets.	 16,075,554
 Liabilities:	
Accounts payable.	29,602
Accrued wages and benefits	1,062,712
Pension obligation payable.	284,702
Intergovernmental payable	86,931
Claims payable.	127,825
Unearned revenue	3,279,797
Long-term liabilities:	
Due within one year.	103,271
Due in more than one year.	494,524
 Total liabilities	 5,469,364
 Net Assets:	
Invested in capital assets.	2,856,768
Restricted for:	
Capital projects	263,128
Student activities	27,893
State funded programs.	79,191
Federally funded programs	393,234
Other purposes	109,931
Unrestricted	6,876,045
 Total net assets	 \$ 10,606,190

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,268,250	\$ 110,954	\$ 577,331	\$ (4,579,965)
Special	1,583,360	-	979,154	(604,206)
Vocational	21,933	-	4,945	(16,988)
Other	237,088	-	-	(237,088)
Support services:				
Pupil	166,264	-	866	(165,398)
Instructional staff	491,262	4,109	38,747	(448,406)
Board of education	41,165	-	2,783	(38,382)
Administration	1,144,782	-	32,199	(1,112,583)
Fiscal	372,610	-	8,149	(364,461)
Operations and maintenance	1,055,488	10,392	12,384	(1,032,712)
Pupil transportation	618,014	-	22,712	(595,302)
Central	157,896	-	-	(157,896)
Operation of non-instructional services:				
Food service operations	445,514	249,859	202,246	6,591
Other non-instructional services	116,444	498	115,877	(69)
Extracurricular activities	480,781	207,173	5,840	(267,768)
Total governmental activities	\$ 12,200,851	\$ 582,985	\$ 2,003,233	(9,614,633)
General revenues:				
Property taxes levied for:				
General purposes				3,503,981
Capital projects				243,423
School district income taxes				1,720,361
Grants and entitlements not restricted to specific programs				5,307,437
Investment earnings				49,062
Miscellaneous				27,571
Total general revenues				10,851,835
Change in net assets				1,237,202
Net assets at beginning of year				9,368,988
Net assets at end of year				\$ 10,606,190

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents.	\$ 5,768,233	\$ 690,456	\$ 6,458,689
Receivables:			
Property taxes.	3,384,592	234,067	3,618,659
Income taxes	636,748	-	636,748
Accounts	1,625	109	1,734
Intergovernmental.	-	285,884	285,884
Accrued interest	409	-	409
Prepayments.	25,415	-	25,415
Materials and supplies inventory.	-	20,294	20,294
Restricted assets:			
Equity in pooled cash and cash equivalents	109,931	-	109,931
Total assets	\$ 9,926,953	\$ 1,230,810	\$ 11,157,763
Liabilities:			
Accounts payable	\$ 27,897	\$ 1,705	\$ 29,602
Accrued wages and benefits.	927,813	134,899	1,062,712
Pension obligation payable	244,915	39,787	284,702
Compensated absences payable.	61,096	-	61,096
Intergovernmental payable	36,954	49,977	86,931
Deferred revenue	65,203	290,431	355,634
Unearned revenue.	3,068,260	211,537	3,279,797
Total liabilities.	4,432,138	728,336	5,160,474
Fund Balances:			
Nonspendable:			
Prepayments.	25,415	-	25,415
Materials and supplies inventory.	-	20,294	20,294
Restricted:			
Capital improvements	-	258,581	258,581
BWC refunds	43,205	-	43,205
Textbooks.	66,726	-	66,726
Public school preschool	-	71,915	71,915
Special education	-	56,334	56,334
Targeted academic assistance	-	40,177	40,177
Extracurricular.	-	27,893	27,893
Other purposes.	-	80,624	80,624
Assigned:			
Student instruction	15,997	-	15,997
Student and staff support.	139,532	-	139,532
School supplies.	62,885	-	62,885
Other purposes.	34,769	-	34,769
Unassigned (deficit)	5,106,286	(53,344)	5,052,942
Total fund balances	5,494,815	502,474	5,997,289
Total liabilities and fund balances	\$ 9,926,953	\$ 1,230,810	\$ 11,157,763

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	5,997,289
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,856,768
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	69,750	
Intergovernmental receivable		<u>285,884</u>	
Total			355,634
An internal service fund is used by management to charge the costs of medical insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			1,933,198
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>(536,699)</u>
Net assets of governmental activities		<u>\$</u>	<u>10,606,190</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 3,499,885	\$ 243,054	\$ 3,742,939
Income taxes	1,720,361	-	1,720,361
Charges for services	-	249,859	249,859
Earnings on investments	3,607	-	3,607
Extracurricular	102,605	104,568	207,173
Classroom materials and fees	95,839	19,726	115,565
Rental income	10,388	-	10,388
Other local revenues	27,571	-	27,571
Intergovernmental - state	5,441,231	252,573	5,693,804
Intergovernmental - federal	-	1,626,275	1,626,275
Total revenues	<u>10,901,487</u>	<u>2,496,055</u>	<u>13,397,542</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,765,210	524,214	5,289,424
Special	601,883	1,000,799	1,602,682
Vocational	21,933	-	21,933
Other	237,088	-	237,088
Support services:			
Pupil	169,170	864	170,034
Instructional staff	433,948	61,310	495,258
Board of education	41,165	-	41,165
Administration	1,075,483	49,889	1,125,372
Fiscal	358,150	17,894	376,044
Operations and maintenance	930,754	150,146	1,080,900
Pupil transportation	608,264	21,401	629,665
Central	157,896	-	157,896
Operation of non-instructional services:			
Food service operations	-	458,489	458,489
Other non-instructional services	156	117,961	118,117
Extracurricular activities	352,028	124,907	476,935
Total expenditures	<u>9,753,128</u>	<u>2,527,874</u>	<u>12,281,002</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,148,359</u>	<u>(31,819)</u>	<u>1,116,540</u>
Other financing sources (uses):			
Transfers in	-	18,500	18,500
Transfers (out)	(18,500)	-	(18,500)
Total other financing sources (uses)	<u>(18,500)</u>	<u>18,500</u>	<u>-</u>
Net change in fund balances	1,129,859	(13,319)	1,116,540
Fund balances at beginning of year (restated).	<u>4,364,956</u>	<u>515,793</u>	<u>4,880,749</u>
Fund balances at end of year.	<u>\$ 5,494,815</u>	<u>\$ 502,474</u>	<u>\$ 5,997,289</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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, 2011

Net change in fund balances - total governmental funds	\$	1,116,540
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.</p>		
Capital asset additions	\$ 130,679	
Current year depreciation	<u>(252,916)</u>	
Total		(122,237)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	4,465	
Intergovernmental revenue	<u>(9,409)</u>	
Total		(4,944)
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(9,418)
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		
		<u>257,261</u>
Change in net assets of governmental activities	\$	<u>1,237,202</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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, 2011

	<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	\$ 3,864,181	\$ 3,864,181	\$ 3,557,636	\$ (306,545)
Income taxes.	1,520,327	1,520,327	1,657,648	137,321
Tuition.	37,247	37,247	-	(37,247)
Earnings on investments	5,212	5,212	3,928	(1,284)
Rental income	10,816	10,816	10,388	(428)
Other local revenues	32,821	32,821	21,975	(10,846)
Intergovernmental - state	5,445,195	5,445,195	5,441,231	(3,964)
Total revenues	<u>10,915,799</u>	<u>10,915,799</u>	<u>10,692,806</u>	<u>(222,993)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,073,010	4,812,555	4,674,252	138,303
Special.	825,888	626,715	609,177	17,538
Vocational.	79,429	37,235	25,800	11,435
Other.	271,841	379,945	244,730	135,215
Support services:				
Pupil.	316,419	189,085	167,109	21,976
Instructional staff	440,569	495,170	462,829	32,341
Board of education	65,338	60,357	55,930	4,427
Administration.	1,086,604	1,180,255	1,084,271	95,984
Fiscal	349,752	379,202	354,348	24,854
Operations and maintenance.	1,126,569	1,050,688	981,562	69,126
Pupil transportation	575,343	655,994	627,233	28,761
Central.	154,335	174,496	168,631	5,865
Extracurricular activities.	266,902	297,777	258,483	39,294
Total expenditures	<u>10,631,999</u>	<u>10,339,474</u>	<u>9,714,355</u>	<u>625,119</u>
 Excess of revenues over expenditures	 <u>283,800</u>	 <u>576,325</u>	 <u>978,451</u>	 <u>402,126</u>
Other financing sources (uses):				
Transfers (out).	(120,000)	(215,000)	(18,500)	196,500
Advances in.	-	-	247,000	247,000
Sale of capital assets	205	205	4,010	3,805
Total other financing sources (uses)	<u>(119,795)</u>	<u>(214,795)</u>	<u>232,510</u>	<u>447,305</u>
 Net change in fund balance	 164,005	 361,530	 1,210,961	 849,431
Fund balance at beginning of year (restated).	4,201,381	4,201,381	4,201,381	-
Prior year encumbrances appropriated	183,238	183,238	183,238	-
Fund balance at end of year	<u>\$ 4,548,624</u>	<u>\$ 4,746,149</u>	<u>\$ 5,595,580</u>	<u>\$ 849,431</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Cash with fiscal agent	\$ 2,061,023
Total assets	<u>2,061,023</u>
Liabilities:	
Current liabilities:	
Claims payable	<u>127,825</u>
Total liabilities	<u>127,825</u>
Net assets:	
Unrestricted.	<u>1,933,198</u>
Total net assets	<u>\$ 1,933,198</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 1,781,167
Total operating revenues	<u>1,781,167</u>
Operating expenses:	
Personal services	11,260
Purchased services	505,508
Claims	<u>1,052,593</u>
Total operating expenses	<u>1,569,361</u>
Operating income	<u>211,806</u>
Nonoperating revenues:	
Interest revenue	<u>45,455</u>
Total nonoperating revenues	<u>45,455</u>
Change in net assets	257,261
Net assets at beginning of year	<u>1,675,937</u>
Net assets at end of year	<u>\$ 1,933,198</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services.	\$ 1,781,167
Cash payments for personal services	(11,260)
Cash payments for purchased services	(505,508)
Cash payments for claims.	<u>(1,073,985)</u>
Net cash provided by operating activities	<u>190,414</u>
Cash flows from investing activities:	
Interest received	<u>45,455</u>
Net cash provided by investing activities	<u>45,455</u>
Net increase in cash and cash equivalents.	235,869
Cash and cash equivalents at beginning of year	<u>1,825,154</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,061,023</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 211,806
Changes in assets and liabilities: (Decrease) in claims payable.	<u>(21,392)</u>
Net cash provided by operating activities.	<u><u>\$ 190,414</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 4,388	\$ 19,323
Total assets.	<u>4,388</u>	<u>\$ 19,323</u>
Liabilities:		
Due to students.	-	\$ 19,323
Total liabilities	<u>-</u>	<u>\$ 19,323</u>
Net assets:		
Held in trust for scholarships	<u>4,388</u>	
Total net assets	<u>\$ 4,388</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 478
Total additions.	478
Reductions:	
Scholarships awarded	241
Change in net assets.	237
Net assets at beginning of year	4,151
Net assets at end of year.	\$ 4,388

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 currently ranks as the 370th largest in terms of total enrollment among the 918 public school districts and community schools in the State. The District is staffed by 96 certified full-time teaching personnel and 60 classified employees who provide services to 1,454 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

JOINTLY GOVERNED ORGANIZATIONS

Midland Council of Governments

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

Wayne County Career Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers’ Compensation Group Rating Program

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2011 is as follows:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

2. By no later than January 20, the Board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the object level within each function for the general fund and at the fund level of expenditures for all other funds, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the object level within each function for the general fund and at the fund level of expenditures for all other funds, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any object within each function for the general fund and the fund level for all other funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other 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 June 30, 2011; 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

F. Cash and Investments

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

During fiscal year 2011, 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, 2011.

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, the internal service fund, and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$3,607, which includes \$458 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 material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for acquisitions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. For fiscal year 2011, 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". Receivables and payables resulting from long-term interfund loans are classified as "loans receivable/payable." Receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column on the statement of net assets. At June 30, 2011, there were no interfund balances.

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
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011, 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, 2011, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted by State statute for BWC refunds and textbooks (See Note 17).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 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. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside for BWC refunds and textbooks. These set-aside restrictions are required by State statute. A schedule of set-asides is presented in Note 17.

R. 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 basis financial statements.

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 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 4,296,180	\$ 584,569	\$ 4,880,749
Fund reclassifications:			
Public school support fund	29,014	(29,014)	-
Uniform school supplies fund	<u>39,762</u>	<u>(39,762)</u>	<u>-</u>
Total fund reclassifications	<u>68,776</u>	<u>(68,776)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 4,364,956</u>	<u>\$ 515,793</u>	<u>\$ 4,880,749</u>

The fund reclassifications did not have an effect on net assets as previously reported.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis	<u>General Fund</u>
Balance at June 30, 2010	\$ 4,236,173
Funds budgeted elsewhere	<u>(34,792)</u>
Restated balance at July 1, 2010	<u>\$ 4,201,381</u>

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 25,170
Auxiliary services	7,880

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.

E. Noncompliance

Contrary to Ohio Revised Code Section 5705.36, the District did not certify to the Wayne County Auditor the amount available for expenditures from each fund in the tax budget for fiscal year 2011 along with any encumbered fund balances existing at the end of fiscal year 2010; therefore, no official or amended certificates of estimated resources were issued.

Contrary to Ohio Revised Code Section 5705.412, the District did not issue required 412 certificates for two negotiated agreements and appropriation measure.

Contrary to Ohio Revised Code Section 3315.17, the District eliminated their budget stabilization and BWC reserve accounts without formal Board approval. In addition, non-qualifying expenditures were charged to the textbook and instructional material set-aside account.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may be deposited or invested in the following securities:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

A. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$264,149. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, all of the District's bank balance of \$488,659 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 \$2,061,023. 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, 2011, 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	<u>\$ 6,328,182</u>	<u>\$ 6,328,182</u>

Interest Rate Risk: 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 6,328,182	100.00

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 264,149
Cash with fiscal agent	2,061,023
Investments	<u>6,328,182</u>
Total	<u>\$ 8,653,354</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 8,629,643
Private purpose trust fund	4,388
Agency funds	<u>19,323</u>
Total	<u>\$ 8,653,354</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfer from general fund to:</u>	<u>Amount</u>
Nonmajor governmental fund	<u>\$ 18,500</u>

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$251,129 in the general fund and \$17,983 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$308,880 in the general fund and \$21,120 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility/minerals real estate	\$ 166,691,580	88.56	\$ 167,300,900	88.31
Commercial/industrial real estate	11,438,540	6.08	11,858,650	6.26
Public utility personal	9,504,220	5.05	9,901,810	5.23
Tangible personal property	<u>576,483</u>	<u>0.31</u>	<u>377,720</u>	<u>0.20</u>
Total	<u>\$ 188,210,823</u>	<u>100.00</u>	<u>\$ 189,439,080</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed value:				
General operations	\$37.50		\$37.50	
Permanent improvement	1.90		1.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), grants and entitlements (reported as “intergovernmental”) and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 3,618,659
Income taxes	636,748
Accounts	1,734
Intergovernmental	285,884
Accrued interest	<u>409</u>
Total	<u>\$ 4,543,434</u>

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

NOTE 8 - SCHOOL DISTRICT INCOME TAX

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance <u>06/30/10</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/11</u>
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,098,217	\$ -	\$ -	\$ 1,098,217
Construction in progress	<u>-</u>	<u>18,256</u>	<u>-</u>	<u>18,256</u>
Total capital assets, not being depreciated	<u>1,098,217</u>	<u>18,256</u>	<u>-</u>	<u>1,116,473</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	639,340	37,143	-	676,483
Buildings and improvements	4,938,039	-	-	4,938,039
Equipment and furniture	1,447,890	-	-	1,447,890
Vehicles	1,542,806	75,280	(94,977)	1,523,109
Library books	<u>616,859</u>	<u>-</u>	<u>-</u>	<u>616,859</u>
Total capital assets, being depreciated	<u>9,184,934</u>	<u>112,423</u>	<u>(94,977)</u>	<u>9,202,380</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(579,800)	(36,837)	-	(616,637)
Buildings and improvements	(3,832,271)	(76,376)	-	(3,908,647)
Equipment and furniture	(1,227,608)	(49,241)	-	(1,276,849)
Vehicles	(1,054,178)	(85,581)	94,977	(1,044,782)
Library books	<u>(610,289)</u>	<u>(4,881)</u>	<u>-</u>	<u>(615,170)</u>
Total accumulated depreciation	<u>(7,304,146)</u>	<u>(252,916)</u>	<u>94,977</u>	<u>(7,462,085)</u>
Governmental activities capital assets, net	<u>\$ 2,979,005</u>	<u>\$ (122,237)</u>	<u>\$ -</u>	<u>\$ 2,856,768</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 117,002
Special	816
<u>Support services:</u>	
Instructional staff	6,151
Administration	1,920
Operations and maintenance	41,288
Pupil transportation	78,409
Extracurricular activities	3,846
Food service operations	<u>3,484</u>
Total depreciation expense	<u>\$ 252,916</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2011, the following changes occurred to the long-term obligations of governmental activities:

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/11</u>	<u>Amount Due</u> <u>In One Year</u>
Compensated absences	\$ 599,003	\$ 101,550	\$ (102,758)	\$ 597,795	\$ 103,271

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, 2011, are a voted debt margin of \$17,015,522 and an unvoted debt margin of \$189,061.

NOTE 11 - EMPLOYEE BENEFITS

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of fifteen days per year for all personnel. The total lifetime maximum sick leave accumulation is 268 days for certified personnel and 244 days for classified personnel. Upon retirement, payment is made for one-fourth of the accrued, but unused, sick leave balance to a maximum of 67 days for certified employees and 61 days for classified employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 2011, 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 \$38,562,557 in the aggregate with a \$5,000 deductible.

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

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

B. Employee Health Insurance

Major medical, hospitalization, dental, life, and/or disability coverage is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of several school districts within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The plan is administered through OME-RESA and provides stop loss protection of \$30,000 per individual per year. The claims liability of \$127,825 reported in the internal service fund at June 30, 2011 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", and as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the current and prior fiscal year are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2011	\$ 149,217	\$ 1,052,593	\$ (1,073,985)	\$ 127,825
2010	131,906	1,230,922	(1,213,611)	149,217

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

C. Workers' Compensation

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - RISK MANAGEMENT - (Continued)

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$174,357, \$176,160 and \$117,684, respectively; 40.57 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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*".

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$686,760, \$677,955 and \$658,721, respectively; 83.31 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$43,945 made by the District and \$31,389 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, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and 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 "*Media/Financial Reports*".

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 2011, 1.43 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 2011, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$43,185, \$33,425 and \$72,765, respectively; 40.57 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, 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, 2011, 2010, and 2009 were \$11,220, \$10,476 and \$9,710, respectively; 40.57 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, 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 2011, 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, 2011, 2010 and 2009 were \$52,858, \$52,150 and \$50,671, respectively; 83.31 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,210,961
Net adjustment for revenue accruals	10,237
Net adjustment for expenditure accruals	(19,209)
Net adjustment for other sources/uses	(251,010)
Funds budgeted elsewhere	42,642
Adjustment for encumbrances	<u>136,238</u>
GAAP basis	<u>\$ 1,129,859</u>

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

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - SET ASIDES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>BWC Refunds</u>	<u>Budget Stabilization</u>
Set-aside balance June 30, 2010	\$ -	\$ -	\$ 43,205	\$ 150,386
Current year set-aside requirement	220,776	220,776	-	-
Current year qualifying expenditures	(111,552)	(2,629)	-	-
Excess qualified expenditures from prior years	(42,498)	-	-	-
Current year offsets	-	(283,342)	-	-
Total	<u>\$ 66,726</u>	<u>\$ (65,195)</u>	<u>\$ 43,205</u>	<u>\$ 150,386</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,205</u>	<u>\$ 150,386</u>
Set-aside balance June 30, 2011	<u>\$ 66,726</u>	<u>\$ -</u>	<u>\$ 43,205</u>	<u>\$ 150,386</u>

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This positive balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29, effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies representing BWC refunds that were received prior to April 10, 2001 have been shown as a restricted asset and restricted fund balance in the general fund, since allowable expenditures are restricted by State statute. Further, via Board Resolution, the District has elected to maintain its budget stabilization amount at June 30, 2011.

A schedule of the restricted assets at June 30, 2011 follows:

Amount restricted for BWC refunds	\$ 43,205
Amount restricted for textbooks	<u>66,726</u>
Total restricted assets	<u>\$ 109,931</u>

**CHIPPEWA LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 - OTHER 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>	Year-End <u>Encumbrances</u>
General	\$ 113,107
Other governmental	<u>279,166</u>
Total	<u>\$ 392,273</u>

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Year	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
ARRA - State Fiscal Stabilization Fund	84.394	2011	\$373,273	\$391,473
		2010	-	199,498
Total ARRA - State Fiscal Stabilization Fund			<u>373,273</u>	<u>590,971</u>
Title I Cluster				
Title I Grants to Local Education Agencies	84.010	2011	158,009	175,694
		2010	33,599	-
Total Title I Grants to Local Education Agencies			<u>191,608</u>	<u>175,694</u>
ARRA - Title I Grants to Local Education Agencies	84.389	2011	10,934	10,934
		2010	34,007	10,613
Total ARRA - Title I Grants to Local Education Agencies			<u>44,941</u>	<u>21,547</u>
Total Title I Cluster			<u>236,549</u>	<u>197,241</u>
Special Education Cluster:				
Special Education - Grants to States	84.027	2011	330,460	405,469
		2010	269,939	134,232
Total Special Education - Grants to States			<u>600,399</u>	<u>539,701</u>
ARRA - Special Education - Grants to States	84.391	2011	89,130	89,130
		2010	192,943	192,943
Total ARRA - Special Education - Grants to States			<u>282,073</u>	<u>282,073</u>
Total Special Education Cluster			<u>882,472</u>	<u>821,774</u>
Education Technology State Grant	84.318	2011	536	1,078
		2010	1,078	(64)
Total Education Technology State Grant			<u>1,614</u>	<u>1,014</u>
Safe & Drug Free Schools and Communities	84.186	2010	3,367	1,537
State Grants		2009	-	1,651
		2008	-	1,511
		2006	-	3,163
		2005	-	355
Total Safe & Drug Free Schools and Communities State Grants			<u>3,367</u>	<u>8,217</u>

CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Year	Receipts	Disbursements
Improving Teacher Quality State Grant	84.367	2011	49,406	44,277
		2010	22,050	7,256
		2009	-	30,766
		2008	-	19,782
Total Improving Teacher Quality State Grant			<u>71,456</u>	<u>102,081</u>
Innovative Program Strategies Grant	84.298	2009	-	1,113
		2008	-	493
		2007	-	1,140
		2006	-	4,073
		2005	-	623
		2004	-	6,293
Total Innovative Program Strategies Grant			<u>-</u>	<u>13,735</u>
Total U.S. Department of Education			<u>1,568,731</u>	<u>1,735,033</u>
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program/Commodities	10.555	2011	33,747	33,747
Cash Assistance				
National School Lunch Program	10.555	2011	164,752	164,752
Total Child Nutrition Cluster			<u>198,499</u>	<u>198,499</u>
Total U.S. Department of Agriculture			<u>198,499</u>	<u>198,499</u>
Total			<u><u>\$1,767,230</u></u>	<u><u>\$1,933,532</u></u>

The accompanying notes are an integral part of this schedule.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Chippewa Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 23, 2012. We noted the District restated beginning governmental fund balances due to changes in fund structure as a result of implementing Government Accounting Standards Board (GASB) Statement 54 and restated its beginning general fund budgetary basis fund balance due to only reporting the legally budgeted general fund in the budgetary statement. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-04 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2011-01 through 2011-04.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 23, 2012.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 23, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Chippewa Local School District, Wayne County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Chippewa Local School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

As described in findings 2011-05 through 2011-07 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding activities allowed or unallowed, allowable costs/cost principles, and cash management applicable to its ARRA – State Fiscal Stabilization Fund, Education State Grants, Recovery Act major federal program and with requirements regarding special tests and provisions applicable to its ARRA – Special Education Cluster. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Chippewa Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

The results of our auditing procedures also disclosed other instances of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2011-05 and 2011-07.

Internal Control over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-05 through 2011-07 to be material weaknesses.

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

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



Dave Yost
Auditor of State

March 23, 2012

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(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?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – ARRA – State Fiscal Stabilization Fund, Education State Grants and Special Education Cluster
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA 84.394 ARRA – State Fiscal Stabilization Fund; Special Education Cluster: CFDA 84.027 Special Education – Grants to States & CFDA 84.391 ARRA – 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

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

1. Estimated Resources

Finding Number	2011-01
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NONCOMPLIANCE

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

The Treasurer did not certify to the Wayne County Auditor the amount available for expenditures from each fund in the tax budget for fiscal year 2011 along with any encumbered fund balances existing at the end of fiscal year 2010. Subsequently, the Wayne County Budget Commission did not issue an official (or amended) certificate of estimated resources or a certificate that appropriations did not exceed estimated resources.

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

Fund	Actual Resources	Appropriations	Variance
Permanent Improvement	\$362,028	\$446,485	(\$84,457)
Food Service	\$448,962	\$479,888	(\$30,926)
Title I	\$247,161	\$254,661	(\$7,500)

**FINDING NUMBER - 2011-01
 (Continued)**

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

Official's Response: The district will commit to insuring that all amounts available for expenditures and any adjustments to approved appropriations are on file with the Wayne County Auditor. The district will request the appropriate certification for any modification of the initial amounts.

2. Restriction Upon School District Expenditures

Finding Number	2011-02
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NONCOMPLIANCE

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

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

The certificate shall be signed by the treasurer and president of the board of education and the superintendent of the school district.

During the fiscal year, the District approved two negotiated agreements with increases in wage and salary schedules. The District could not provide documentation that the certification required by **Ohio Rev. Code Section 5705.412** was made for these agreements. Additionally, the District could not provide documentation that the certification required by **Ohio Rev. Code Section 5705.412** was made for appropriation measures adopted by the Board.

**FINDING NUMBER - 2011-02
(Continued)**

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

This matter will be referred to the County Prosecutor.

Official's Response: The district will commit to insuring that all appropriation measures and labor agreements are certified in accordance with Section 5705.412 of the Ohio Revised Code.

3. Set-Asides

Finding Number	2011-03
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NONCOMPLIANCE

Ohio Rev. Code Section 3315.17 requires school districts to annually set-aside a certain dollar amount of general fund expenditures for the purpose of purchasing textbook and instructional materials. The set-aside amount is determined annually through a formula by the Ohio Department of Education (ODE). For the purposes of the textbook and instructional materials set-aside, qualifying expenditures include textbooks, instructional materials, instructional supplies, instructional software, and equipment related directly to student instruction. Excess expenditures may be carried forward to subsequent years.

Senate Bill 345, Section 4 of the 123rd Ohio General Assembly eliminated the requirement for school districts to maintain a budget stabilization reserve account required by **Ohio Rev. Code Section 5705.29**. Any money on hand in a school district's budget stabilization reserve account may at the discretion of the district board of education be returned to the district's general fund or may be left in the account and may be used by the district board to offset any budget deficit the district may experience in future fiscal years. However, any portion of that money consisting of refunds or rebates from the Bureau of Workers' Compensation (BWC) may be used solely to offset a budget deficit or for school facility construction, renovation, or repair; textbooks or instructional materials, including science equipment or laboratories; purchase of school buses; or professional development of teachers.

Ohio Rev. Code Section 5705.13(A) requires a taxing authority of a subdivision, by resolution or ordinance, may reduce, rescind, or eliminate the reserve balance in a reserve balance account established for the purpose described in division (A)(1) of this section at any time.

The District originally identified \$305,637 in qualifying expenditures used to meet the textbook and instructional materials set-aside requirement. Of the expenditures identified, it was determined only \$111,552 represented qualifying expenditures for the textbook and instructional materials set-aside. After identifying the current year qualifying expenditures and prior year excess expenditures applied to the current year, we determined the District did not spend the entire required set-aside by \$66,726.

The District has maintained a budget stabilization reserve account of \$150,386 and a BWC reserve account of \$43,205. The District eliminated the reserve accounts during the year; however, no formal action was taken by the Board to eliminate the reserves. Additionally, the BWC reserve account is restricted, and the District could not show how the BWC reserve was spent.

**FINDING NUMBER - 2011-03
 (Continued)**

The District should ensure the required textbook and instructional material set-aside is spent on qualifying expenditures. Additionally, the District should spend the \$66,726 remaining set-aside balance in the next fiscal year on qualifying expenditures. Finally, the Board should formally approve the budget stabilization reserve account be returned to the general fund. The District should spend the \$43,205 of the BWC reserve balance on allowable expenditures, as specified in **Senate Bill 345, Section 4 of the Ohio General Assembly**.

Official's Response: The district will commit to insuring that all amounts required for set-aside are in place. The district combined several funds premature of the dissolution of certain requirements as found in Ohio Revised Code Sections 5705.13, 3315.17 and 5705.29. The district will reestablish any amounts required to be earmarked for qualifying expenditure and or prove the amounts are previously spent with action by the Board of Education.

<i>Finding Number</i>	2011-04
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4. Schedule of Federal Assistance

NONCOMPLIANCE AND MATERIAL WEAKNESS

Office of Management and Budget (OMB) Circular A-133 Subpart C, §_310(b) Schedule of Expenditures of Federal Awards states the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. One of the minimum requirements is the schedule shall provide total federal awards expended for each individual federal program and the CFDA or other identifying number when the CFDA information is not available.

The District does not have an adequate process or system to track federal receipt and expenditure activity. This information is important for the preparation of the Federal Awards Receipts and Expenditures Schedule. The following internal control deficiencies were noted during our testing of the District's Federal Awards Receipts and Expenditures Schedule (Federal Schedule) and major Federal grant programs:

- The District expensed federal grant monies from special cost centers related to the 2004 to the 2009 grant periods for three federal programs totaling approximately \$70,963 in expenditures but did not initially report these amounts on the federal schedule;
- For all federal grants initially reported on the federal schedule, the District did not accurately report the total expenditures from their accounting system on the federal schedule. Changes made to the federal schedule to reflect the true expenditure activity resulted in adjustments ranging from approximately \$541 to \$199,500;
- The National School Lunch program and the non-cash assistance commodities (CFDA 10.555) were omitted from the Federal Schedule. This omission totaled approximately \$198,499 in receipts and expenditures not being included in the federal schedule;
- The District did not maintain and could not provide any documentation which supported the receipts and expenditures as presented in the initial federal schedule.

The deficiencies noted could compromise the District's eligibility to participate in future federal grant and/or loan programs. The federal awards receipts and expenditure schedule was adjusted to reflect the correct amounts.

**FINDING NUMBER - 2011-04
 (Continued)**

To reduce the risk of inaccurate reporting of federal expenditures and noncompliance with OMB Circular A-133, Subpart C, §_310(b), due care should be taken in the preparation of the Federal Awards Receipts and Expenditure Schedule. The Schedule should be reviewed after preparation and tied to underlying cash reports of the District for accuracy and evaluated for completeness.

Official's Response: The district did not include all prior period program expenditures in error. The district had previously spent dollars from the general fund for the related programs beyond the amounts awarded through the federal programs mentioned. Advances and/or transfers of funds should have been used in the initial expenditure and until those funds are available. Additionally, commodities were not included at market value of volume received and will be corrected in the current fiscal year. More diligence will be placed on the time and correctness of all aspects of dollars spent through the federal schedule.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

SFSF - Activities Allowed/Unallowed & Allowable Costs/Cost Principles

Finding Number	2011-05
CFDA Title and Number	ARRA-State Fiscal Stabilization Fund, Education State Grants – CFDA 84.394
Federal Award Number / Year	2011 and 2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

QUESTIONED COST, NONCOMPLIANCE, MATERIAL WEAKNESS

Section 14003 (b)(1) of the American Recovery and Reinvestment Act indicates maintenance costs of local educational agencies are prohibited costs of the State Fiscal Stabilization Fund (SFSF) grant. **Ohio Rev. Code Section 3313.24** states the treasurer shall be paid from the general fund of the district. Ohio Revised Code 3313.29 states, in part, that the treasurer of each board of education shall keep an account of all school funds of the district and Ohio Revised Code 3313.31 states, in part, that the treasurer shall be the chief fiscal officer of the school district and shall be responsible for the financial affairs of the district, subject to the direction of the district board of education.

At fiscal year end, the Treasurer allocated approximately 5.4% of the salaries and fringe benefits expenditures for certain General fund functional categories to the SFSF grant. The allocation was made at the summary level, so specific employees were not identified for the allocation. We recalculated the Treasurer's allocation noting \$6,827 consisted of the Treasurer's salary and fringe benefits. We also noted \$11,958, projected to be \$19,063, consisted of custodial salaries and fringe benefits, which represent maintenance costs of the District.

The salaries and fringe benefits of the Treasurer and custodial employees are unallowable costs; therefore, we are questioning known costs of \$18,830, projected to be \$25,935, for the SFSF grant.

**FINDING NUMBER - 2011-05
 (Continued)**

The Treasurer should review the SFSF grant requirements and ensure only allowable costs are charged to the grant. If the Treasurer chooses to allocate expenditures at the summary level, then he should implement internal control procedures to ensure all expenditures included in the allocation are allowable.

Official's Response: See corrective action plan on page 70.

Separate Accountability

Finding Number	2011-06
CFDA Title and Number	ARRA-Special Education – Grants to States – CFDA 84.391
Federal Award Number / Year	2011 and 2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE AND MATERIAL WEAKNESS

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

The District comingled American Recovery and Reinvestment Act (ARRA) and non-ARRA receipts and expenses within the District's accounting system. As a result, the District could not distinguish between ARRA and non-ARRA receipts and expenses for reporting purposes. In addition, the District may have expended ARRA funds for purposes which are unallowable under the provisions of the ARRA program.

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

Official's Response: See corrective action plan on page 70.

Cash Management

Finding Number	2011-07
CFDA Title and Number	ARRA-State Fiscal Stabilization Fund, Education State Grants – CFDA 84.394 Special Education Cluster (IDEA) ARRA-Special Education – Grants to States – CFDA 84.391 and Special Education – Grants to States CFDA 84.027
Federal Award Number / Year	2011and 2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE, MATERIAL WEAKNESS

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

Furthermore, the Ohio Department of Education (ODE) has developed guidelines for cash management for its subgrantees. ODE uses the Comprehensive Continuous Improvement Plan (CCIP) as a unified grants application and verification system to separately account for and track Federal program activity. Most ODE-administered Federal programs are included in the CCIP and allow school district to make project cash requests as needed for cash advances. In general, ODE considers its subgrantees to be in compliance with cash management requirements if the subgrantee expends all advanced funds within thirty days of receipt. If interest is earned on advanced funds, ODE requires its subgrantees to remit interest earned to them via check. ODE will determine if the interest calculation is correct and submit payment to the U.S. Department of Education. Interest is imputed using the U.S. Treasury Current Value of Funds Rate, which is the rate the Federal government would have received if it retained the advance.

Unlike the CCIP programs, State Fiscal Stabilization Fund (SFSF) program funds were advanced to School's through the foundation program as indicated in the ODE Pathway to Student Success (PASS) form, a new form in FY 2010 that shows funding information for the components of the Evidence Based Funding Model (EBM). Foundation payments are automatically sent to School's on a monthly basis. The PASS form breaks out the individual components of EBM, including the amount representing SFSF. SFSF funds are required to be deposited into USAS Fund 532. School's must have an internal control system in place to ensure advance SFSF payments are spent timely (i.e., within 30 days or by the end of the month).

An ODE Policy and Guidance Memo, SFSF Final Payments and Cash Management, indicated the funding method for SFSF differs from other ARRA funds; however, cash management rules apply to the SFSF funds. Districts must expend the funds that are included in the foundation payments for the SFSF program in accordance with federal regulations.

**FINDING NUMBER - 2011-07
(Continued)**

The District did not minimize the time elapsing between the receipt and disbursement of State Fiscal Stabilization Fund (SFSF) monies. As a result, the District's SFSF grant accumulated excessive cash balances ranging from \$77,566 to \$449,726 during fiscal year 2011, including a cash balance of \$277,064 at the beginning of the fiscal year.

Furthermore, the District did not minimize the time elapsing between the receipt and disbursement of IDEA-B Special Education grant funds. As a result, the District's IDEA-B grant accumulated excess cash balances ranging from \$39,087 to \$165,606 during fiscal year 2011.

Since the District has excessive cash balances throughout the fiscal year, imputed interest is owed to the Federal government. During the fiscal year, the U.S. Treasury Current Value of Funds Rate was one percent. and the imputed interest owed to the Federal government, less the \$100 allowance for administrative expenditures, amounted to \$2,459 for the State Fiscal Stabilization Grant and \$340 for the IDEA-B Special Education Grant.

The District should establish internal control procedures to ensure it complies with the Federal cash management requirements of **34 C.F.R. 80.20(b)(7)** and the guidelines established by ODE. The District should also implement procedures to ensure monthly interest is imputed for Federal grants with excessive balances and imputed interest earned in excess of \$100 is remitted to ODE for remittance to the Federal government. Failure to follow Federal cash management requirements could cause the District to lose funding and to be funded on a reimbursement-basis only.

Official's Response: See corrective action plan on page 70.

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-05	The district posted expenses to funds generated through the SFSF grant based on proration of other general operating expense. Other operating expense included functions not allowed by the American Recovery and Reinvestment Act. The district had adequate expenditures outside those functions (not allowed by the grant) and posting was simply an error of including the wrong accounts in that calculation. Such funds are not available for Fiscal Year 2011/2012 alleviating any need to revise the calculation of disbursement.	Currently completed	Treasurer of District
2011-06	The district did not establish a complete set of parallel accounts to allow for American Recovery and Reinvestment Act expenditures and relied on a proration of those amounts against proven and allowable recorded accounts. The district maintained records which provided a separation of any amounts (revenue or expenditure) for non-ARRA versus ARRA purposes. The district pledges to provide an account structure which completely separates any funds for purposes as defined in the Single Audit Act Amendments of 1996. Such funds as provided by the American Recovery and Reinvestment Act are not available for Fiscal Year 2011/2012 alleviating any need to revise the method of disbursement.	Currently completed	Treasurer of District
2011-07	The district received an inordinate amount of stimulus funds through the American Recovery and Reinvestment Act and the State Fiscal Stabilization Fund programs. The district did not have an adequate plan for the use and disbursement of those dollars without maintaining cash balances beyond the norm. Because those funds were eventually expensed in the fiscal year and because those dollars are no longer available to the district, a modified plan is not required. Should a stimulus fund program be reinstated, any excess funds will be included in the calculation for interest disbursement and posted to the appropriated account. The district did have adequate expenditures for program related services (from the general operating fund) which superseded any amount earned through an interest disbursement.	Currently completed	Treasurer of District

**CHIPPEWA LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	31 U.S.C. 7502(a)(1)(A) - The District did not file their annual audit with the Federal Audit Clearinghouse within the nine month period after year end for fiscal years 2009 and 2008.	Yes	Corrected

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Dave Yost • Auditor of State

Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Chippewa Local School District, Wayne County, Ohio, (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on January 24, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 23, 2012

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Dave Yost • Auditor of State

CHIPPEWA LOCAL SCHOOL DISTRICT

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 10, 2012