



**CHESAPEAKE UNION EXEMPTED VILLAGE
SCHOOL DISTRICT
LAWRENCE COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Chesapeake Union Exempted Village School District
Lawrence County
10183 County Road 1
Chesapeake, Ohio 45619

To the Board of Education:

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

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Chesapeake Union Exempted Village School District, Lawrence County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 21, 2000

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**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$610,128	\$374,263	\$810,255	\$3,618,347
Receivables:				
Property Taxes	1,443,709		442,065	31,054
Accounts	1,225			
Intergovernmental	9,932			
Inventory Held for Resale				
Materials and Supplies Inventory	6,838			
Prepaid Items	5,756			
Restricted Assets:				
Cash and Cash Equivalents	346,285			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Construction in Progress				
Other Debits:				
Amount Available in Debt Service Fund				
Amount to be Provided from General Government Resources				
Total Assets	\$2,423,873	\$374,263	\$1,252,320	\$3,649,401

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$127,607	\$173,684	\$14,822	\$	\$	\$5,729,106
					1,916,828
					1,225
					9,932
12,156					12,156
2,096					8,934
					5,756
					346,285
100,467			13,742,329		13,842,796
			575,301		575,301
				823,429	823,429
				3,713,094	3,713,094
<u>\$242,326</u>	<u>\$173,684</u>	<u>\$14,822</u>	<u>\$14,317,630</u>	<u>\$4,536,523</u>	<u>\$26,984,842</u>

(Continued)

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$10,794	\$11,026	\$	\$
Accrued Wages and Benefits Payable	674,414	105,085		
Compensated Absences Payable	24,745			
Intergovernmental Payable	148,209	15,833		
Deferred Revenue	1,400,658		428,891	30,002
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>2,258,820</u>	<u>131,944</u>	<u>428,891</u>	<u>30,002</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved (Deficit)				
Fund Balance:				
Reserved for Encumbrances	148,144	12,508		
Reserved for Inventory	6,838			
Reserved for Capital Improvements	15,931			
Reserved for Property Taxes	43,051		13,174	1,052
Reserved for Budget Stabilization	87,146			
Reserved for Bus Purchases	123,738			
Reserved for Textbooks	110,547			
Unreserved, Designated	693			
Unreserved, Undesignated	(371,035)	229,811	810,255	3,618,347
Total Fund Equity and Other Credits	<u>165,053</u>	<u>242,319</u>	<u>823,429</u>	<u>3,619,399</u>
Total Liabilities, Fund Equity and Other Credits	<u><u>\$2,423,873</u></u>	<u><u>\$374,263</u></u>	<u><u>\$1,252,320</u></u>	<u><u>\$3,649,401</u></u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$	\$	\$	\$	\$	\$21,820
9,499					788,998
14,454				769,337	808,536
10,550				72,186	246,778
9,168					1,868,719
		14,822			14,822
				3,695,000	3,695,000
43,671	0	14,822	0	4,536,523	7,444,673
			14,317,630		14,317,630
262,629					262,629
(63,974)	173,684				109,710
					160,652
					6,838
					15,931
					57,277
					87,146
					123,738
					110,547
					693
					4,287,378
198,655	173,684	0	14,317,630	0	19,540,169
\$242,326	\$173,684	\$14,822	\$14,317,630	\$4,536,523	\$26,984,842

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$1,301,457	\$33,884	\$326,098	\$1,052	\$1,662,491
Intergovernmental	4,997,793	1,200,776	40,596	1,173,129	7,412,294
Interest	129,201			188,089	317,290
Tuition and Fees	7,194				7,194
Rent	245				245
Extracurricular Activities		86,705			86,705
Gifts and Donations	675	5,010			5,685
Miscellaneous	18,098	13,933			32,031
Total Revenues	6,454,663	1,340,308	366,694	1,362,270	9,523,935
Expenditures:					
Current:					
Instruction					
Regular	3,243,311	499,742		56,456	3,799,509
Special	582,406	441,212			1,023,618
Vocational	9,277				9,277
Other	119,073				119,073
Support Services					
Pupils	373,127	46,770			419,897
Instructional Staff	334,448	147,791			482,239
Board of Education	26,199				26,199
Administration	652,760	756			653,516
Fiscal	215,959				215,959
Operation and Maintenance of Plant	613,889	655			614,544
Pupil Transportation	464,992	6,957			471,949
Central	27,268	48,300			75,568
Extracurricular Activities	175,478	56,303			231,781
Capital Outlay	45,220			604,437	649,657
Debt Service					
Principal Retirement			2,565,000		2,565,000
Interest and Fiscal Charges			255,421		255,421
Total Expenditures	6,883,407	1,248,486	2,820,421	660,893	11,613,207
Excess of Revenues Over (Under) Expenditures	(428,744)	91,822	(2,453,727)	701,377	(2,089,272)
Other Financing Sources (Uses):					
Operating Transfers In		3,361		35,000	38,361
Proceeds from the Sale of Bonds			2,449,786		2,449,786
Proceeds from the Sale of Notes					
Proceeds from the Sale of Fixed Assets	625				625
Operating Transfers Out	(38,361)				(38,361)
Total Other Financing Sources (Uses)	(37,736)	3,361	2,449,786	35,000	2,450,411
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(466,480)	95,183	(3,941)	736,377	361,139
Fund Balances at Beginning of Year	636,593	147,136	827,370	2,883,022	4,494,121
Decrease in Reserve for Inventory	(5,060)	0	0	0	(5,060)
Fund Balances at End of Year	\$165,053	\$242,319	\$823,429	\$3,619,399	\$4,850,200

See accompanying notes to the general purpose financial statements.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$1,383,193	\$1,383,193	\$
Intergovernmental	4,987,861	4,987,861	
Interest	119,488	119,488	
Tuition and Fees	7,194	7,194	
Rent	245	245	
Extracurricular Activities			
Gifts and Donations	675	675	
Miscellaneous	16,873	16,873	
Total Revenues	6,515,529	6,515,529	0
Expenditures:			
Current:			
Instruction			
Regular	3,214,669	3,214,669	
Special	590,561	590,561	
Vocational	9,277	9,277	
Other	117,907	117,907	
Support Services			
Pupils	367,307	367,307	
Instructional Staff	334,015	334,015	
Board of Education	27,509	27,509	
Administration	650,953	650,953	
Fiscal	214,210	214,210	
Operation and Maintenance of Plant	641,658	641,658	
Pupil Transportation	574,052	574,052	
Central	26,968	26,968	
Extracurricular Activities	181,242	181,242	
Capital Outlay	58,416	58,416	
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	7,008,744	7,008,744	0
Excess of Revenues Over (Under) Expenditures	(493,215)	(493,215)	0
Other Financing Sources (Uses):			
Operating Transfers In			
Proceeds from Sale of Fixed Assets	625	625	
Proceeds from the Sale of Bonds			
Advances In	20,977	20,977	
Operating Transfers Out	(38,361)	(38,361)	
Advances Out			
Total Other Financing Sources (Uses)	(16,759)	(16,759)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(509,974)	(509,974)	0
Fund Balances at Beginning of Year	1,174,454	1,174,454	0
Prior Year Encumbrances Appropriated	119,305	119,305	0
Fund Balances at End of Year	\$783,785	\$783,785	\$0

(Continued)

See accompanying notes to the general purpose financial statements.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$33,884	\$33,884	\$0
Intergovernmental	1,200,776	1,200,776	
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities	86,705	86,705	
Gifts and Donations	5,010	5,010	
Miscellaneous	13,933	13,933	
Total Revenues	1,340,308	1,340,308	0
Expenditures:			
Current:			
Instruction			
Regular	494,131	494,131	
Special	461,437	461,437	
Vocational			
Other			
Support Services			
Pupils	46,592	46,592	
Instructional Staff	147,786	147,786	
Board of Education			
Administration	802	802	
Fiscal			
Operation and Maintenance of Plant	655	655	
Pupil Transportation	6,947	6,947	
Central	52,727	52,727	
Extracurricular Activities	64,490	64,490	
Capital Outlay			
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	1,275,567	1,275,567	0
Excess of Revenues Over (Under) Expenditures	64,741	64,741	0
Other Financing Sources (Uses):			
Operating Transfers In	28,724	28,724	
Proceeds from Sale of Fixed Assets			
Proceeds from the Sale of Bonds			
Advances In			
Operating Transfers Out	(25,363)	(25,363)	
Advances Out			
Total Other Financing Sources (Uses)	3,361	3,361	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	68,102	68,102	
Fund Balances at Beginning of Year	209,896	209,896	
Prior Year Encumbrances Appropriated	73,868	73,868	
Fund Balances at End of Year	\$351,866	\$351,866	\$0

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$333,199	\$333,199	\$0	\$0	\$0	\$0
40,596	40,596		1,173,128	1,173,128	
			152,608	169,359	16,751
<u>373,795</u>	<u>373,795</u>	<u>0</u>	<u>1,325,736</u>	<u>1,342,487</u>	<u>16,751</u>
			56,456	56,456	
			604,437	604,437	
2,565,000	2,565,000				
245,635	245,635				
<u>2,810,635</u>	<u>2,810,635</u>	<u>0</u>	<u>660,893</u>	<u>660,893</u>	<u>0</u>
<u>(2,436,840)</u>	<u>(2,436,840)</u>	<u>0</u>	<u>664,843</u>	<u>681,594</u>	<u>16,751</u>
			35,000	35,000	
2,440,000	2,440,000		(20,977)	(20,977)	
<u>2,440,000</u>	<u>2,440,000</u>	<u>0</u>	<u>14,023</u>	<u>14,023</u>	<u>0</u>
3,160	3,160	0	678,866	695,617	16,751
807,095	807,095	0	2,868,825	2,868,825	0
0	0	0	35,173	35,173	0
<u>\$810,255</u>	<u>\$810,255</u>	<u>\$0</u>	<u>\$3,582,864</u>	<u>\$3,599,615</u>	<u>\$16,751</u>

(Continued)

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$1,750,276	\$1,750,276	\$0
Intergovernmental	7,402,361	7,402,361	
Interest	272,096	288,847	16,751
Tuition and Fees	7,194	7,194	
Rent	245	245	
Extracurricular Activities	86,705	86,705	
Gifts and Donations	5,685	5,685	
Miscellaneous	30,806	30,806	
Total Revenues	9,555,368	9,572,119	16,751
Expenditures:			
Current:			
Instruction			
Regular	3,765,256	3,765,256	
Special	1,051,998	1,051,998	
Vocational	9,277	9,277	
Other	117,907	117,907	
Support Services			
Pupils	413,899	413,899	
Instructional Staff	481,801	481,801	
Board of Education	27,509	27,509	
Administration	651,755	651,755	
Fiscal	214,210	214,210	
Operation and Maintenance of Plant	642,313	642,313	
Pupil Transportation	580,999	580,999	
Central	79,695	79,695	
Extracurricular Activities	245,732	245,732	
Capital Outlay	662,853	662,853	
Debt Service:			
Principal Retirement	2,565,000	2,565,000	
Interest and Fiscal Charges	245,635	245,635	
Total Expenditures	11,755,839	11,755,839	0
Excess of Revenues Over (Under) Expenditures	(2,200,471)	(2,183,720)	16,751
Other Financing Sources (Uses):			
Operating Transfers In	63,724	63,724	
Proceeds from Sale of Fixed Assets	625	625	
Proceeds from the Sale of Bonds	2,440,000	2,440,000	
Advances In	20,977	20,977	
Operating Transfers Out	(63,724)	(63,724)	
Advances Out	(20,977)	(20,977)	
Total Other Financing Sources (Uses)	2,440,625	2,440,625	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	240,154	256,905	16,751
Fund Balances at Beginning of Year	5,060,270	5,060,270	0
Prior Year Encumbrances Appropriated	228,346	228,346	0
Fund Balances at End of Year	\$5,528,770	\$5,545,521	\$16,751

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Sales	\$131,909	\$0	\$131,909
Total Operating Revenues	<u>131,909</u>	<u>0</u>	<u>131,909</u>
Operating Expenses:			
Salaries	105,686		105,686
Fringe Benefits	59,280		59,280
Purchased Services	3,419		3,419
Materials and Supplies	21,245		21,245
Cost of Sales	177,363		177,363
Depreciation	14,014		14,014
Total Operating Expenses	<u>381,007</u>	<u>0</u>	<u>381,007</u>
Operating Loss	<u>(249,098)</u>	<u>0</u>	<u>(249,098)</u>
Non-Operating Revenues:			
Federal Donated Commodities	29,043		29,043
Gain on Sale of Fixed Assets	250		250
Interest	2,438		2,438
Federal and State Subsidies	225,748		225,748
Other Non-Operating Revenues	10,008		10,008
Total Non-Operating Revenues	<u>267,487</u>	<u>0</u>	<u>267,487</u>
Net Income	18,389	0	18,389
Retained Earnings at Beginning of Year (Restated - Note 3)	<u>(82,363)</u>	<u>173,684</u>	<u>91,321</u>
Retained Earnings at End of Year	(63,974)	173,684	109,710
Contributed Capital at Beginning and End of Year	<u>262,629</u>	<u>0</u>	<u>262,629</u>
Total Fund Equity at End of Year	<u>\$198,655</u>	<u>173,684</u>	<u>\$372,339</u>

See accompanying notes to the general purpose financial statements.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2000**

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$131,961	\$131,961	\$0
Interest	1,974	1,974	
Proceeds from Sale of Fixed Assets	250	250	
Other Non-Operating Revenues	10,008	10,008	
Federal and State Subsidies	227,086	227,086	
Total Revenues	371,279	371,279	0
Expenses:			
Salaries	119,821	119,821	
Fringe Benefits	48,730	48,730	
Purchased Services	3,419	3,419	
Materials and Supplies	176,473	176,473	
Capital Outlay	12,495	12,495	
Total Operating Expenses	360,938	360,938	0
Excess of Revenues Over Expenses	10,341	10,341	0
Fund Equity at Beginning of Year	104,277	104,277	0
Prior Year Encumbrances Appropriated	5,750	5,750	0
Fund Equity at End of Year	\$120,368	\$120,368	\$0

See accompanying notes to the general purpose financial statements.

Internal Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$131,961	\$131,961	\$0
			1,974	1,974	
			250	250	
			10,008	10,008	
			227,086	227,086	
0	0	0	371,279	371,279	0
			119,821	119,821	
			48,730	48,730	
			3,419	3,419	
			176,473	176,473	
			12,495	12,495	
0	0	0	360,938	360,938	0
0	0	0	10,341	10,341	0
173,684	173,684	0	277,961	277,961	0
0	0	0	5,750	5,750	0
\$173,684	\$173,684	\$0	\$294,052	\$294,052	\$0

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**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$131,961	\$	\$131,961
Cash Payments to Suppliers for Goods and Services	(172,847)		(172,847)
Cash Payments for Employee Services and Benefits	(168,551)		(168,551)
Other Non-Operating Revenues	10,008		10,008
Other Operating Expenses	(270)		(270)
Net Cash Used for Operating Activities	(199,699)	0	(199,699)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	227,086		227,086
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Sale of Fixed Assets	250		250
Payments for Capital Acquisitions	(12,495)		(12,495)
Net Cash Used for Capital and Related Financing Activities	(12,245)	0	(12,245)
Cash Flows from Investing Activities:			
Interest on Investments	2,438	0	2,438
Net Increase in Cash and Cash Equivalents	17,580	0	17,580
Cash and Cash Equivalents at Beginning of Year	110,027	173,684	283,711
Cash and Cash Equivalents at End of Year	\$127,607	\$173,684	\$301,291
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	(\$249,098)	\$0	(\$249,098)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	14,014		14,014
Donated Commodities Used During Year	29,043		29,043
Non Operating Revenues	10,008		10,008
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	52		52
Increase in Inventory Held for Resale	(92)		(92)
Increase in Materials and Supplies Inventory	(41)		(41)
Decrease in Accrued Wages and Benefits Payable	(2,892)		(2,892)
Increase in Compensated Absences Payable	1,748		1,748
Decrease in Intergovernmental Payable	(2,441)		(2,441)
Total Adjustments	49,399	0	49,399
Net Cash Used for Operating Activities	(\$199,699)	\$0	(\$199,699)

See accompanying notes to the general purpose financial statements.

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**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

Note 1 - Description of the School District and Reporting Entity

Chesapeake Union Exempted Village School District is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's five instructional/support facilities staffed by 64 noncertified employees, 106 certificated full time teaching personnel and 11 administrators who provide services to 1,371 students and other community members.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Chesapeake Union Exempted Village School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

The School District is associated with two organizations which are defined as jointly governed organizations. These organizations are presented in Note 10 to the general purpose financial statements. These organizations are the Lawrence County Joint Vocational School District and the South Central Ohio Computer Association.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Chesapeake Union Exempted Village School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

A. Basis Of Presentation - Fund Accounting

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

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

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

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

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

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

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

Capital Projects Funds Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

Enterprise Fund The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has no trust funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

B. Measurement Focus and Basis of Accounting

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to STAROhio and overnight repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2000. 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. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$129,201, which includes \$68,392 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food and supplies held for resale and are expended when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

G. Fixed Assets and Depreciation

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

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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of five to twenty years.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

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

Entitlements

General Fund

State Foundation Program

School Bus Purchase

Special Revenue Funds

Disadvantaged Pupil Impact Aid

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

Non-Reimbursable Grants

Special Revenue Funds

Venture Capital
Title VI-B
Title I
Title II
Title VI
Preschool
Educational Management Information System
Professional Development
Continuous Improvement Grant
Tri State Community Foundation Grant
Drug Free Schools
Raising the Bar

Capital Projects Funds

School Net
School Net Plus
Emergency Repair Grant
ADA Handicapped Grant

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Breakfast Program
National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 78 percent of governmental fund revenue during the 2000 fiscal year.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the school district's termination policy. The School District records a liability for accumulated unused sick leave for employees after 10 years of service.

For governmental funds, 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 remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid after sixty days are considered not to have been paid with current available financial resources. Bonds and notes are recognized as a liability of the general long-term obligations account group until due.

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

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, inventories of materials and supplies, capital improvements, budget stabilization, and bus purchases.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

M. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the enterprise funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

N. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 18 for additional information regarding set-asides.

O. Estimates

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

P. Designation of Fund Balance

The School District had a fund balance designation on the balance sheet for additional money set-aside by the Board of Education above the reserve for budget stabilization required by State statute.

Q. Total Columns on General Purpose Financial Statements

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

Note 3 - Prior Period Adjustments

Net fixed assets in the Proprietary Fund were overstated in the prior period by \$7,684. This adjustment was necessary due to the annual report being received from the appraisal company and there being a difference in the amounts used in the prior year and the amounts used by the appraisal company. This adjustment of \$7,684 resulted in increased retained earnings deficit from (\$74,679) at June 30, 1999 to (\$82,363) at July 1, 2000.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

Note 4 - Accountability and Compliance

Fund Deficits

The following funds had deficit fund balances/retained earnings at June 30, 2000:

	<u>Deficit Fund Balance/ Retained Earnings</u>
Special Revenue Funds:	
Disadvantaged Pupil Impact Aid	\$44,036
Ohio Reads	\$11
Title I	\$32,236
Enterprise Fund:	
Food Service Fund	\$65,725

The deficits in the special revenue funds and the capital projects fund resulted from expenditures made in excess of available revenues. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. The deficit in the Food Service Enterprise Fund is the result of accumulated losses. The School District is analyzing the enterprise fund operations to determine appropriate steps to alleviate the deficit.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings 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, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis), All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$466,480)	\$95,183	(\$3,941)	\$736,377
Revenue Accruals	70,579	0	7,101	(1,051)
Unrecorded Cash	(9,713)	0	0	(18,732)
Advances In	20,977	0	0	0
Prepaid Items	(5,756)	0	0	0
Expenditure Accruals	43,334	(4,684)	0	0
Advances Out	0	0	0	(20,977)
Encumbrances	(162,915)	(22,397)	0	0
Budget Basis	<u>(\$509,974)</u>	<u>\$68,102</u>	<u>\$3,160</u>	<u>\$695,617</u>

Net Income/Excess of Revenues
Over Expenses
Proprietary Fund Type

	<u>Enterprise</u>
GAAP Basis	\$18,389
Revenue Accruals	(27,653)
Unrecorded Cash	(464)
Expense Accruals	20,202
Materials and Supplies Inventory	(92)
Inventory Held for Resale	(41)
Budget Basis	<u>\$10,341</u>

Note 6 - Deposits and Investments

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

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the School 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 money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 Treasurer's investment pool (STAROhio);

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At year end, the carrying amount of the School District's deposits was (\$72,812) and the bank balance was \$50,000. The entire bank balance was covered by federal deposit insurance.

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

	Category 3	Unclassified	Carrying and Fair Value
STAR Ohio	\$0	\$3,410,202	\$3,410,202
Repurchase Agreements	\$2,709,092	\$0	2,709,092
Total			\$6,119,294

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$6,075,391	\$0
Unrecorded Cash	(28,909)	0
STAROhio	(3,410,202)	3,410,202
Repurchase Agreements	(2,709,092)	2,709,092
 GASB Statement 3	 (\$72,812)	 \$6,119,294

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar year 2000 for real and public utility personal property taxes represent collections of calendar 1999 taxes. Property tax payments received during calendar year 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by state law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true 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.

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

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

The assessed values upon which the fiscal year 2000 taxes were collected for Lawrence County are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$58,737,230	77.56%	\$57,629,930	77.47%
Public Utility Personal	15,723,470	20.76	14,559,790	19.57
Tangible Personal Property	1,267,200	1.67	2,201,520	2.96
Total	\$75,727,900	100.00%	\$74,391,240	100.00%
 Tax rate per \$1,000 of assessed valuation	\$24.75		\$24.75	

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current fiscal year operations. The amount available as an advance at June 30, 2000, was \$145,063 and is recognized as revenue. \$43,051 was available to the General Fund, \$13,174 was available to the Debt Service Fund, and \$1,052 was available to the Capital Projects Fund. At June 30, 1999, \$145,063 was available to the School District. \$124,787 to the General Fund and \$20,276 to the Debt Service Fund.

Note 8 - Receivables

Receivables at June 30, 2000, consisted of taxes, accounts (rent and tuition), interfund and intergovernmental grants. 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 current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund:	
Rock Hill Board of Education	\$9,932

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

Note 9 - Fixed Assets

A summary of the enterprise fund's fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$297,858
Less: accumulated depreciation	<u>(197,391)</u>
Net Fixed Assets	<u><u>\$100,467</u></u>

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

	Balance 6/30/99	Additions	Deductions	Balance 6/30/00
Land and Improvements	\$97,032	\$0	\$0	\$97,032
Buildings and Improvements	9,073,881	16,777	0	9,090,658
Textbooks	885,568	0	0	885,568
Vehicles	684,820	75,398	0	760,218
Furniture and Equipment	<u>2,877,647</u>	<u>31,206</u>	<u>0</u>	<u>2,908,853</u>
Total General Fixed Assets	<u><u>\$13,618,948</u></u>	<u><u>\$123,381</u></u>	<u><u>\$0</u></u>	<u><u>\$13,742,329</u></u>

Note 10 - Jointly Governed Organizations

The Lawrence County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Chesapeake-Union Exempted Village School District, two from the Chesapeake Union Exempted Village School District and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. To obtain financial information write to the Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, Ohio 45619.

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$4.00 per student to participating districts and State funding. Chesapeake Union Exempted Village School District paid \$5,432 for services provided during fiscal year 2000. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

Note 11 - Risk Management

The School 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. For fiscal year 2000, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$1,000 deductible.

Professional and general liability is protected by The Nationwide Insurance Company with a \$2,000,000 single occurrence and \$5,000,000 annual aggregate limits and no deductible. Vehicles are covered by Nationwide Insurance and hold a \$100 deductible for comprehensive and no deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant reduction in coverage from the prior year.

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$47,267, \$61,200, and \$131,220, respectively; 34.70 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$30,866 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$268,170, \$223,520, and \$542,028, respectively; 82.94 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$45,753 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$357,560 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$130,881.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

Note 14 - Other Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators, who are not on a twelve month contract, do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit to the amount of sick leave that may be accumulated. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 60 days.

B. *Health Care Benefits*

The School District provides life insurance and accidental death and dismemberment insurance to classified and administrative employees through Community Assurance Life Insurance Company, in the amount of \$25,000.

Health insurance is provided by Medical Benefits Company. Premiums for this coverage are \$649.05 for family coverage and \$279.57 for single coverage. The School District pays 80% of both family and single coverage premium. Dental insurance is provided by CoreSource, Inc.. Premiums for this coverage are \$42.75 for both single and family coverage. The School District pays 100% of the premium. Vision insurance is provided by Vision Service Plan. Premiums for this coverage are \$15.69 for both single and family coverage. The School District pays 100% of the premium.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2000, were as follows:

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
General Obligation Bonds:				
1986 School Improvement 8.50%	\$1,380,000	\$0	\$125,000	\$1,255,000
1999 School Improvement 5.6%	0	2,440,000	0	2,440,000
Total General Obligation Bonds	1,380,000	2,440,000	125,000	3,695,000
Bond Anticipation Note 6%	2,440,000	0	2,440,000	0
Compensated Absences	782,576	48,291	61,530	769,337
Intergovernmental Payable	70,445	72,186	70,445	72,186
Total General Long-Term Obligations	<u>\$4,673,021</u>	<u>\$2,560,477</u>	<u>\$2,696,975</u>	<u>\$4,536,523</u>

The general obligation bonds were issued in the amount of \$5,320,000 and will be paid from the debt service fund. The proceeds from the 1999 School Improvement bond issue were used to pay off the bond anticipation note. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. The School District's overall legal debt margin was \$10,632,381 with an unvoted debt margin of \$124,278 at June 30, 2000.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2000, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2001	185,000	238,183	423,183
2002	185,000	225,158	410,158
2003	190,000	211,921	401,921
2004	190,000	198,485	388,485
2005	195,000	184,855	379,855
2006-2010	1,030,000	710,979	1,740,979
2011-2015	510,000	459,533	969,533
2016-2020	685,000	276,406	961,406
2021-2025	525,000	50,468	575,468
	<u>\$3,695,000</u>	<u>\$2,555,988</u>	<u>\$6,250,988</u>

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

Note 16 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

The School District is party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 17 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$4,810,968 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant[ing] further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

Note 18 - Set-Aside Calculations and Fund Reserves

The School 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1999	\$68,335	\$9,929	\$87,049
Current Year Set-aside Requirement	135,071	126,162	97
Qualifying Disbursements	(92,875)	(120,162)	0
	\$110,531	\$15,931	\$87,146
Total Set-aside Reserve Balance as of June 30, 2000	\$110,531	\$15,931	\$87,146
Set-aside Balance Carried Forward to Future Fiscal Year	\$110,531	\$15,931	\$87,146

The total reserve balance for the three set-asides at the end of the fiscal year was \$213,624.

Note 19 - Contractual Commitments

As of June 30, 2000 the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
BBL Maescher	Chesapeake Union EVSD/ Construction Manager	\$671,747
Tanner Stone and Company	Chesapeake Union EVSD/ Professional Design Services	\$569,528

The above contractual commitments were incurred to start construction on a new school building.

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CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	NNN1	10.550		\$30,750		\$31,236
National School Breakfast Program	05-PU	10.553	\$52,066		\$52,066	
National School Lunch Program	03-PU, 04-PU	10.555	158,345		158,345	
Total U. S. Department of Agriculture - Nutrition Cluster			210,411	30,750	210,411	31,236
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title 1 Grants to Local Educational Agencies	C1-S1	84.010	507,140		489,150	
Special Education Grants to States	6B-SF	84.027	93,896		91,878	
Safe and Drug Free Schools and Communities State Grant	DR-S1	84.186	5,816		6,349	
Goals 2000 State and Local Education Systemic Improvement	WK-BE	84.276			4,887	
Eisenhower Professional Development	MS-S1	84.281	10,627		3,497	
Innovative Educational Program Strategies	C2-S1	84.298	7,707		7,632	
Technology Literacy Challenge Fund Grant	TF-15	84.318	62,500		99,000	
Class Size Reduction Grant	CR-S1	84.340	19,188			
Total U.S. Department of Education			706,874	0	702,393	0
Total Federal Awards Receipts and Expenditures			\$917,285	\$30,750	\$912,804	\$31,236

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the School District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000 the School District had food commodities valued at \$6,975.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Chesapeake Union Exempted Village School District
Lawrence County
10183 County Road 1
Chesapeake, Ohio 45619

To the Board of Education:

We have audited the accompanying general purpose financial statements of Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2000, and have issued our report thereon dated December 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2000-10744-001. We also noted an immaterial instance of noncompliance that we have reported to the management of the School District in a separate letter dated December 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 21, 2000.

Chesapeake Union Exempted Village School District
Lawrence County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 21, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Chesapeake Union Exempted Village School District
Lawrence County
10183 County Road 1
Chesapeake, Ohio 45619

To the Board of Education:

Compliance

We have audited the compliance of Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

Chesapeake Union Exempted Village School District
Lawrence County
Report of Independent Accountants on Compliance with Requirements
Applicable to Each Major Federal Program and Internal Control over
Compliance in Accordance with OMB Circular A-133
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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Jim Petro
Auditor of State

December 21, 2000

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions 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 weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grant CFDA# 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2000-10744-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) states that no subdivision is to expend money unless it has been appropriated. Expenditures exceeded appropriations at the legal level of control at January 31, 2000 in the 010-5000-9901 account of the Classroom Facilities Fund by \$76,078. Expenditures exceeded appropriations at the legal level of control at May 31, 2000 in the 447-2200 account of the Disadvantaged Pupil Impact Aid (DPIA) Fund by \$6,420 and in the 010-5000-9901 account of the Classroom Facilities Fund by \$152,342.

We recommend the School District monitor expenditures and appropriations.

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2000
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

None

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY**

**CORRECTIVE ACTION PLAN
JUNE 30, 2000**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2000-10744-001	Encumbrances and expenditures will be monitored more closely to ensure this does not happen in the future.	June 30, 2001	Carol Kilgore, Treasurer



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OFFICE OF THE AUDITOR

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CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT

LAWRENCE 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
MARCH 6, 2001**