

Chesapeake Union Exempted Village School District
Lawrence County
Single Audit
For the Fiscal Year Ended June 30, 2014



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Dave Yost • Auditor of State

Board of Education
Chesapeake Union Exempted Village School District
10183 County Road 1
Chesapeake, Ohio 45619

We have reviewed the *Independent Auditor's Report* of the Chesapeake Union Exempted Village School District, Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Chesapeake Union Exempted Village School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 4, 2015

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Chesapeake Union Exempted Village School District
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For the Fiscal Year Ended June 30, 2014

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Independent Auditor's Report

Board of Education
Chesapeake Union Exempted Village School District
10183 County Road 1
Chesapeake, Ohio 45619

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chesapeake Union Exempted Village School District, Lawrence County, Ohio, as of June 30, 2014, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

December 8, 2014

Chesapeake Union Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Chesapeake Union Exempted Village School District's (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$18,246,327.
- The School District's net position of governmental activities decreased \$530,433.
- General revenues accounted for \$10,696,207 in revenue or 74 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$3,729,308 or 26 percent of total revenues of \$14,425,515.
- The School District had \$14,955,948 in expenses related to governmental activities; \$3,729,308 of these expenses was offset by program specific charges for services and sales and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Chesapeake Union Exempted Village School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

The statement of net position and statement of activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The analysis of the School District as a whole begins with the statement of net position and the statement of activities. These reports provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes to that position. This change informs the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the School District's financial well-being. Some of these factors include the condition of capital assets and required educational support services to be provided.

In the statement of net position and the statement of activities, the School District has only one kind of activity.

Chesapeake Union Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

- **Governmental Activities.** Most of the School District's programs and services are reported here including instruction and support services.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's funds begins on page 9. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's major funds are the General Fund and the Bond Retirement Debt Service Fund.

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

Fiduciary Funds. Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary fund is an agency fund which is used to maintain financial activity of the School District's Student Managed Activities.

Chesapeake Union Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013.

Table 1
 Net Position
 Governmental Activities

	2014	2013
Assets:		
Current and Other Assets	\$ 6,654,319	\$ 6,745,500
Capital Assets, Net	20,935,132	20,699,869
Total Assets	27,589,451	27,445,369
Deferred Outflows of Resources:		
Unamortized Deferred Amount on Refunding	78,544	89,054
Liabilities:		
Current and Other Liabilities	1,572,485	1,769,044
Long-Term Liabilities	5,649,756	4,885,241
Total Liabilities	7,222,241	6,654,285
Deferred Inflows of Resources		
Property Taxes not Levied to Finance the Current Year	2,199,427	2,103,378
Net Position:		
Net Investment in Capital Assets	15,783,493	16,433,428
Restricted	1,687,436	1,909,955
Unrestricted	775,398	433,377
Total Net Position	\$ 18,246,327	\$ 18,776,760

Total net position of the School District as a whole decreased in the amount of \$530,433. Current and other assets remained reasonably consistent between years. Capital assets increased due primarily to additions, which were partially offset by current year depreciation. Current and other liabilities decreased primarily due to a reduction of retainage payable, contracts payable, and accounts payable. Long-term liabilities increased primarily due to the inception of a new capital lease in the amount of \$1,028,300. This increase was partially offset by decreases due to principal payments.

Chesapeake Union Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2 shows the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2 Change in Net Position Governmental Activities		
	2014	2013
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 1,246,379	\$ 1,216,149
Operating Grants and Contributions	2,482,929	2,818,863
Total Program Revenues	3,729,308	4,035,012
General Revenues:		
Grants and Entitlements, Not Restricted to Specific Programs	8,216,795	7,852,129
Gifts and Donations, Not Restricted to Specific Programs	17,560	21,897
Investment Earnings	2,697	3,246
Miscellaneous	75,671	122,640
Property Taxes	2,383,484	2,177,282
Total General Revenues	10,696,207	10,177,194
Total Revenues	14,425,515	14,212,206
Program Expenses		
Instruction		
Regular	7,368,669	7,243,388
Special	1,182,658	1,220,079
Other	137,779	333,200
Support Services		
Pupils	581,357	492,119
Instructional Staff	682,030	845,352
Board of Education	68,594	77,216
Administration	1,015,515	881,146
Fiscal	359,134	347,824
Operation and Maintenance of Plant	1,461,433	1,186,537
Pupil Transportation	736,315	764,195
Central	347,786	276,694
Operation of Non-Instructional Services	479,438	532,952
Extracurricular Activities	378,262	303,734
Interest and Fiscal Charges and Issuance Costs	156,978	250,182
Total Expenses	14,955,948	14,754,618
Increase (Decrease) in Net Position	(530,433)	(542,412)
Net Position at Beginning of Year	18,776,760	19,319,172
Net Position at End of Year	\$ 18,246,327	\$ 18,776,760

Chesapeake Union Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Operating grants and contributions decreased primarily due to decreases in monies received from 21st Century and Title VI-B programs. Grants and entitlements not restricted to specific programs increased as a result of an increase in foundation settlement funding and casino tax revenues received from the State. Property Taxes increased due to the timing and availability of funds at year end. Other instruction decreased due to reduction of intervention specialist staff during the fiscal year. Administration increased due to classification differences in the prior year. Instructional Staff decreased due to a reduction in support staff. Operation and Maintenance of Plant increased due to an increase of maintenance related items during the fiscal year.

Governmental Activities

Charges for services and sales comprised 9 percent of revenue for governmental activities, while operating grants and contributions comprised 17 percent of revenue for governmental activities of the School District for fiscal year 2014. Unrestricted grants and entitlements and property taxes made up 57 percent and 17 percent, respectively, of total revenues.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 49 percent of governmental program expenses with special instruction comprising 8 percent of governmental expenses. Administration and operation and maintenance of plant support services also comprise a significant portion of total expenses, each of them accounting for 7 and 10 percent respectively, of total expenses.

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements, property taxes, and other general revenues.

Table 3
Governmental Activities

	<u>Total Cost of Services</u> 2014	<u>Net Cost of Services</u> 2014	<u>Total Cost of Services</u> 2013	<u>Net Cost of Services</u> 2013
Program Expenses				
Instruction:				
Regular	\$7,368,669	\$6,613,978	\$7,243,388	\$6,412,358
Special	1,182,658	73,543	1,220,079	20,283
Other	137,779	117,490	333,200	296,970
Support Services:				
Pupils	581,357	350,945	492,119	267,821
Instructional Staff	682,030	261,653	845,352	296,022
Board of Education	68,594	62,900	77,216	70,869
Administration	1,015,515	920,840	881,146	797,156
Fiscal	359,134	322,007	347,824	315,553
Operation and Maintenance of Plant	1,461,433	1,231,415	1,186,537	1,064,028
Pupil Transportation	736,315	589,451	764,195	590,381
Central	347,786	279,542	276,694	218,939
Operation of Non-Instructional Services	479,438	(4,162)	532,952	(39,128)
Extracurricular Activities	378,262	250,060	303,734	158,227
Interest and Fiscal Charges and Issuance Costs	156,978	156,978	250,182	250,127
Total	<u>\$14,955,948</u>	<u>\$11,226,640</u>	<u>\$14,754,618</u>	<u>\$10,719,606</u>

Chesapeake Union Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

THE SCHOOL DISTRICT'S FUNDS

The governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$15,526,192 and expenditures and other financing uses of \$15,475,658.

The fund balance of the General Fund increased \$318,177. This increase was due to total revenues exceeding expenditures. Property tax and intergovernmental revenues increased \$228,115 and \$315,580, respectively from the prior year while expenditures only increased \$103,953 overall from the prior year. The fund balance of the Bond Retirement Fund increased in the amount of \$77,195 primarily due to tax and intergovernmental revenues exceeding interest costs.

General Fund Budgeting Highlights

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

During 2014, there were several revisions to the General Fund budget. In part, these revisions increased estimated resources by \$229,734 and decreased appropriations by \$619,707. The increase in estimated resources was due to understated tax revenue, which was offset by overestimated intergovernmental revenue. The decrease in estimated appropriations is due to overstated estimated expenses for other instruction, pupil support services, instructional staff support services, and operation and maintenance of plant support services. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General Fund's ending unobligated cash balance was \$1,443,796.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the School District had \$20,935,132 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and textbooks. Table 4 shows the fiscal year 2014 balances compared to 2013.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$257,668	\$257,668
Construction in Progress	0	3,346,351
Land Improvements	3,465,504	507,377
Buildings and Improvements	16,856,874	16,150,566
Furniture and Equipment	215,697	257,303
Vehicles	132,582	169,259
Textbooks	6,807	11,345
Totals	\$20,935,132	\$20,699,869

See Note 7 to the basic financial statements for more detailed information relating to capital assets.

Chesapeake Union Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Debt

At June 30, 2014, the School District had one outstanding General Obligation Bond issuance in the net amount of \$1,441,235 including accretion and premium. The 2006 bonds were issued to refund \$2,045,000 of outstanding 1999 School Improvement General Obligation Bonds. During the current fiscal year, the School District entered into a capital lease for a new HVAC system. As of June 30, 2014, the outstanding balance of the lease was \$1,028,300. At June 30, 2014, the School District had Certificates of Participation outstanding in the amount of \$2,735,000. See Notes 11 and 12 to the basic financial statements for more detailed information relating to debt.

Current Economic Issues

Chesapeake Union Exempted Village School District is considered to be a low wealth district. Therefore, as indicated in the preceding financial information, the State of Ohio provides the majority of the funding received by the School District. The future of our School District is difficult to predict. With careful planning and monitoring of our finances, Chesapeake Union Exempted Village School District's Board of Education is committed to providing a quality education for our students and securing a solid financial future for the School District.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial condition and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sue Ann Dial, Treasurer, Chesapeake Union Exempted Village School District, 10183 County Road One, Chesapeake, Ohio 45619.

Chesapeake Union Exempted Village School District
Statement of Net Position
As of June 30, 2014

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 3,433,571
Accounts Receivable	200
Intergovernmental Receivable	228,597
Taxes Receivable	2,862,288
Noncurrent Assets:	
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	129,663
Non-Depreciable Capital Assets	257,668
Depreciable Capital Assets, net	20,677,464
<i>Total Assets</i>	27,589,451
 DEFERRED OUTFLOWS OF RESOURCES:	
Unamortized Deferred Amount on Refunding	78,544
 LIABILITIES:	
Current Liabilities:	
Accounts Payable	75,905
Accrued Wages and Benefits	1,046,250
Contracts Payable	60,920
Intergovernmental Payable	311,503
Matured Compensated Absences Payable	15,923
Retainage Payable	55,342
Accrued Interest Payable	6,642
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	497,094
Due in More Than One Year	5,152,662
<i>Total Liabilities</i>	7,222,241
 DEFERRED INFLOWS OF RESOURCES	
Property Taxes not Levied to Finance Current Year Operations	2,199,427
 NET POSITION:	
Net Investment in Capital Assets	15,783,493
Restricted for Debt Service	809,485
Restricted for Capital Outlay	282,666
Restricted for Other Purposes	102,890
Restricted for Classroom Facilities Maintenance	418,074
Restricted for Set Asides	74,321
Unrestricted	775,398
<i>Total Net Position</i>	\$ 18,246,327

The notes to the basic financial statements are an integral part of this statement.

Chesapeake Union Exempted Village School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				
Instruction:				
Regular	\$ 7,368,669	\$ 595,420	\$ 159,271	\$ (6,613,978)
Special	1,182,658	84,336	1,024,779	(73,543)
Other	137,779	12,413	7,876	(117,490)
Support Services:				
Pupils	581,357	32,519	197,893	(350,945)
Instructional Staff	682,030	18,466	401,911	(261,653)
Board of Education	68,594	5,694	-	(62,900)
Administration	1,015,515	94,675	-	(920,840)
Fiscal	359,134	32,370	4,757	(322,007)
Operation and Maintenance of Plant	1,461,433	107,006	123,012	(1,231,415)
Pupil Transportation	736,315	55,254	91,610	(589,451)
Central	347,786	28,121	40,123	(279,542)
Operation of Non-Instructional Services	479,438	87,937	395,663	4,162
Extracurricular Activities	378,262	92,168	36,034	(250,060)
Interest and Fiscal Charges	156,978	-	-	(156,978)
<i>Total Governmental Activities</i>	<u>\$ 14,955,948</u>	<u>\$ 1,246,379</u>	<u>\$ 2,482,929</u>	(11,226,640)
General Revenues:				
Property Taxes Levied for:				
General Purposes				2,026,198
Debt Service				106,633
Classroom Facilities				37,386
Capital Projects				213,267
Grants and Entitlements, Not Restricted to Specific Programs				8,216,795
Gifts and Donations, Not Restricted to Specific Programs				17,560
Investment Earnings				2,697
Miscellaneous				75,671
<i>Total General Revenues</i>				<u>10,696,207</u>
<i>Change in Net Position</i>				(530,433)
<i>Net Position Beginning of Year</i>				<u>18,776,760</u>
<i>Net Position End of Year</i>				<u>\$ 18,246,327</u>

The notes to the basic financial statements are an integral part of this statement.

Chesapeake Union Exempted Village School District
Balance Sheet
Governmental Funds
As of June 30, 2014

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,982,562	\$ 779,805	\$ 726,546	\$ 3,488,913
Accounts Receivable	200	-	-	200
Interfund Receivable	518	-	-	518
Intergovernmental Receivable	100,384	-	128,213	228,597
Taxes Receivable	2,423,077	130,267	308,944	2,862,288
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	74,321	-	-	74,321
<i>Total Assets</i>	<u>\$ 4,581,062</u>	<u>\$ 910,072</u>	<u>\$ 1,163,703</u>	<u>\$ 6,654,837</u>
LIABILITIES:				
Accounts Payable	\$ 74,691	\$ -	\$ 1,214	\$ 75,905
Accrued Wages and Benefits	909,873	-	136,377	1,046,250
Contracts Payable	-	-	60,920	60,920
Interfund Payable	-	-	518	518
Intergovernmental Payable	258,897	-	52,606	311,503
Retainage Payable	-	-	55,342	55,342
Matured Compensated Absences Payable	15,923	-	-	15,923
<i>Total Liabilities</i>	<u>1,259,384</u>	<u>-</u>	<u>306,977</u>	<u>1,566,361</u>
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	1,859,140	100,587	239,700	2,199,427
Unavailable Revenue - Delinquent Taxes	382,529	20,133	46,927	449,589
Unavailable Revenue - Grants	-	-	49,037	49,037
<i>Total Deferred Inflows of Resources</i>	<u>2,241,669</u>	<u>120,720</u>	<u>335,664</u>	<u>2,698,053</u>
FUND BALANCES:				
Nonspendable	316	-	-	316
Restricted	74,321	789,352	604,290	1,467,963
Committed	11,000	-	-	11,000
Assigned	499,162	-	-	499,162
Unassigned (Deficit)	495,210	-	(83,228)	411,982
<i>Total Fund Balances</i>	<u>1,080,009</u>	<u>789,352</u>	<u>521,062</u>	<u>2,390,423</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 4,581,062</u>	<u>\$ 910,072</u>	<u>\$ 1,163,703</u>	<u>\$ 6,654,837</u>

The notes to the basic financial statement are an integral part of this statement.

Chesapeake Union Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 As of June 30, 2014*

Total Governmental Fund Balances	\$	2,390,423
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,935,132
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Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.

Taxes	449,589	
Intergovernmental	49,037	

Total		498,626
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Long-term liabilities and deferred outflows of resources, including bonds, interest, the long-term portion of compensated absences, and the unamortized deferred amount on refunding, are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(445,221)	
Interest Payable	(6,642)	
Unamortized Deferred Amount on Refunding	78,544	
Certificate of Participation	(2,735,000)	
Capital Leases	(1,028,300)	
General Obligation Bonds	(1,441,235)	

Total		(5,577,854)
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Net Position of Governmental Activities	\$	18,246,327
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The notes to the basic financial statements are an integral part of this statement.

Chesapeake Union Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	\$ 2,038,651	\$ 107,289	\$ 252,276	\$ 2,398,216
Intergovernmental	8,905,760	17,080	1,770,350	10,693,190
Interest	2,603	-	94	2,697
Tuition and Fees	1,089,361	-	-	1,089,361
Extracurricular Activities	3,434	-	64,932	68,366
Gifts and Donations	17,560	-	33,535	51,095
Customer Sales and Services	733	-	87,919	88,652
Miscellaneous	75,663	-	8	75,671
<i>Total Revenues</i>	<u>12,133,765</u>	<u>124,369</u>	<u>2,209,114</u>	<u>14,467,248</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,443,864	-	201,353	6,645,217
Special	916,967	-	276,119	1,193,086
Other	132,568	-	5,211	137,779
Support Services:				
Pupils	347,158	-	232,933	580,091
Instructional Staff	220,411	-	475,351	695,762
Board of Education	60,815	-	-	60,815
Administration	1,031,426	-	-	1,031,426
Fiscal	342,705	3,916	9,504	356,125
Operation and Maintenance of Plant	1,145,515	-	229,839	1,375,354
Pupil Transportation	588,788	-	108,350	697,138
Central	300,331	-	47,455	347,786
Operation of Non-Instructional Services	192	-	471,366	471,558
Extracurricular Activities	254,204	-	42,619	296,823
Capital Outlay	-	-	1,300,146	1,300,146
Debt Service:				
Principal	-	-	125,000	125,000
Interest	-	43,258	87,650	130,908
<i>Total Expenditures</i>	<u>11,784,944</u>	<u>47,174</u>	<u>3,612,896</u>	<u>15,445,014</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>348,821</u>	<u>77,195</u>	<u>(1,403,782)</u>	<u>(977,766)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	-	-	30,644	30,644
Inception of Capital Lease	-	-	1,028,300	1,028,300
Transfers Out	(30,644)	-	-	(30,644)
<i>Total Other Financing Sources and Uses</i>	<u>(30,644)</u>	<u>-</u>	<u>1,058,944</u>	<u>1,028,300</u>
<i>Net Change in Fund Balances</i>	318,177	77,195	(344,838)	50,534
<i>Fund Balances at Beginning of Year</i>	<u>761,832</u>	<u>712,157</u>	<u>865,900</u>	<u>2,339,889</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,080,009</u>	<u>\$ 789,352</u>	<u>\$ 521,062</u>	<u>\$ 2,390,423</u>

The notes to the basic financial statements are an integral part of this statement.

Chesapeake Union Exempted Village School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds		\$ 50,534
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.		
Capital Asset Additions	1,240,071	
Current Year Depreciation	<u>(1,004,808)</u>	
Total		235,263
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(14,732)	
Intergovernmental	<u>(27,001)</u>	
Total		(41,733)
New inception of capital lease in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.		
		(1,028,300)
Repayment of bond and certificate of participation principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		
		125,000
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position.		
		528
The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net position, but does not result in an expenditure in the governmental funds.		
		13,659
Deferred amounts on refunding are included as expenditures in the funds, but are deferred and amortized over the life of the bonds in the government-wide financial statements.		
		(10,510)
The annual accretion of capital appreciation bonds is reported in the statement of activities but is not reported in the governmental funds.		
		(29,747)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in Employee Severance Plan	153,721	
Decrease in Compensated Absences	<u>1,152</u>	
Total		<u>154,873</u>
Net Change in Net Position of Governmental Activities		<u><u>\$ (530,433)</u></u>

The notes to the basic financial statements are an integral part of this statement.

Chesapeake Union Exempted Village School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Revenues and Other Financing Sources	\$ 11,487,119	\$ 11,716,853	\$ 11,716,853	\$ -
Total Expenditures and Other Financing Uses	12,665,756	12,046,049	12,046,049	-
Net Change in Fund Balance	(1,178,637)	(329,196)	(329,196)	-
Fund Balance at Beginning of Year	1,267,960	1,267,960	1,267,960	-
Prior Year Encumbrances Appropriated	505,032	505,032	505,032	-
Fund Balance at End of Year	\$ 594,355	\$ 1,443,796	\$ 1,443,796	\$ -

The notes to the basic financial statements are an integral part of this statement.

Chesapeake Union Exempted Village School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
As of June 30, 2014

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 19,722</u>
LIABILITIES:	
Due to Students	<u>19,722</u>
<i>Total Liabilities</i>	<u>\$ 19,722</u>

The notes to the basic financial statements are an integral part of this statement.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1926 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 36 square miles. It is located in Lawrence County, and includes all of Union Township. It is staffed by 59 non-certificated employees and 96 certificated full-time teaching personnel who provide services to 1,452 students and other community members. The School District currently operates three instructional buildings, one administrative building, and one maintenance building.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District 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. The School District has no component units.

The following organizations which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these organizations nor are they fiscally dependent on the School District:

- * Boosters Clubs
- * Parent Teacher Organizations

The School District is associated with four organizations, two of which are defined as jointly governed organizations, one as an insurance purchasing pool and one as a shared risk pool. These organizations are the South Central Ohio Computer Association Council of Governments (SCOCA COG), the Lawrence County Joint Vocational School District, the Better Business Bureau of Central Ohio's Workers' Compensation Retrospective Group Rating Program, and the Lawrence County Schools Council of Governments Health Benefits Program. These organizations are presented in Notes 14 and 15 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Chesapeake Union Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis Of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements:

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds

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

General Fund

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

Chesapeake Union Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Bond Retirement Fund

The Bond Retirement Fund is a fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund. The primary source of revenue for this fund is from tax revenue collections.

The other governmental funds of the School District account for grants and other resources, and capital projects, whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary fund is an agency fund which is used to maintain financial activity of the School District's Student Managed Activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for the unamortized portion of the deferred amount on refunding of bonds as of June 30, 2014. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignation and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect amounts in the certificate of estimated resources at the time the permanent appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2014.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as Equity in Pooled Cash and Cash Equivalents on the balance sheet and the statement of net position.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2014 amounted to \$2,603 in the General Fund and \$94 in All Other Governmental Funds.

F. Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets and Depreciation (continued)

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The School District does not capitalize interest for capital asset purchases.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years
Textbooks	6-15 years

G. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net position.

H. Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future.

The accrual amount is based upon accumulated sick leave and accumulated vacation leave and employees' wage rates at year-end, taking into consideration any limits specified in the School District's severance policy.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and capital leases are recognized as a liability on the government-wide financial statements when due.

Chesapeake Union Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

K. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

L. Net Position

Net position represents the difference between asset, liabilities and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants received which are restricted as to their use by grantors.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide statement of net position reports \$1,687,436 in restricted net position, none of which is restricted by enabling legislation.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets in the General Fund included amounts required by statute to be set-aside by the School District for capital improvements. See Note 16 for additional information regarding set-asides on capital improvements. Restricted cash in the amount of \$74,321 has been set aside for capital improvements. Restricted assets in the amount of \$55,342 represent cash held as retainage for contractors in the Permanent Improvement Fund.

N. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. All transfers between governmental activities have been eliminated in the government-wide financial statements.

O. Bond Premiums, Discounts, Gains/Losses and Issuance Costs

On the government-wide financial statements, bond issuance costs are recorded as expenses. Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

Bond issuance costs and bond premiums are recognized as expenditures and other financing sources on the fund financial statements.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (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 statement of revenues, expenditures and changes in fund balance – budget and actual (budgetary basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis); and
4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

Net Change in Fund Balance	
GAAP Basis	\$ 318,177
Revenue Accruals	(397,677)
Expenditure Accruals	229,550
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	18,739
Encumbrances	<u>(497,985)</u>
Budget Basis	<u>\$ (329,196)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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 monies deposited with the institution.

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2014, the School District's bank balance of \$3,647,989 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar 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 tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

	<u>2013 Second-Half Collections</u>		<u>2014 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 104,450,000	90.22%	\$ 107,652,520	90.10%
Public Utility	11,326,510	9.78%	11,828,310	9.90%
Total Assessed Value	<u>\$ 115,776,510</u>	<u>100.00%</u>	<u>\$ 119,480,830</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 22.50		\$ 22.50	

The School District receives property taxes from Lawrence County. The 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, 2014, are available to finance fiscal year 2014 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 and public utility taxes that became measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2014, was \$181,408 in the General Fund, \$9,547 in the Bond Retirement Fund, \$3,222 in the Classroom Facilities Maintenance Fund, and \$19,095 in the Permanent Improvement Fund.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 6 - RECEIVABLES

Receivables at June 30, 2014, consisted of interfund, accounts, taxes, 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Major Fund:		
General	\$	100,384
Non-Major Special Revenue Funds:		
Public School Preschool		12,340
Title I		78,529
Part B - IDEA		29,231
Improving Teacher Quality		8,113
Total Non-Major Special Revenue Funds		<u>128,213</u>
Total All Funds/Governmental Activities	\$	<u><u>228,597</u></u>

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	Ending Balance 6/30/2013	Additions	Deletions	Ending Balance 6/30/2014
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 257,668	\$ -	\$ -	\$ 257,668
Construction in Progress	3,346,351	-	(3,346,351)	-
Total Capital Assets, Not Being Depreciated	<u>3,604,019</u>	-	<u>(3,346,351)</u>	<u>257,668</u>
Capital Assets Being Depreciated				
Land Improvements	1,199,018	3,080,957	-	4,279,975
Buildings and Improvements	27,354,247	1,505,465	-	28,859,712
Furniture and Equipment	751,311	-	-	751,311
Vehicles	879,112	-	-	879,112
Textbooks	972,141	-	-	972,141
Total Capital Assets Being Depreciated	<u>31,155,829</u>	<u>4,586,422</u>	-	<u>35,742,251</u>
Less: Accumulated Depreciation:				
Land Improvements	(691,641)	(122,830)	-	(814,471)
Buildings and Improvements	(11,203,681)	(799,157)	-	(12,002,838)
Furniture and Equipment	(494,008)	(41,606)	-	(535,614)
Vehicles	(709,853)	(36,677)	-	(746,530)
Textbooks	(960,796)	(4,538)	-	(965,334)
Total Accumulated Depreciation	<u>(14,059,979)</u>	<u>(1,004,808)</u>	-	<u>(15,064,787)</u>
Total Capital Assets Being Depreciated, Net	<u>17,095,850</u>	<u>3,581,614</u>	-	<u>20,677,464</u>
Governmental Capital Assets, Net	<u>\$ 20,699,869</u>	<u>\$ 3,581,614</u>	<u>\$ (3,346,351)</u>	<u>\$ 20,935,132</u>

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 7 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$821,191
Special	2,723
Support Services:	
Instructional Staff	9,463
Board of Education	7,779
Administration	4,388
Operation and Maintenance of Plant	28,694
Pupil Transportation	37,847
Operation of Non-Instructional Services	11,284
Extracurricular Activities	81,439
Total Depreciation Expense	<u><u>\$1,004,808</u></u>

NOTE 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with Ohio Casualty Insurance. Coverage provided is as follows:

Commercial Property Coverage	\$37,498,869
Employee Theft Coverage	50,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2014, the School District participated in the Better Business Bureau of Central Ohio's Workers' Compensation Retrospective Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to improve safety, accident prevention, and claims handling for the School District. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmanagement provides administrative, cost control, and actuarial services to the GRP.

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council), a public entity shared risk pool (Note 15), consisting of government entities within the County offering medical insurance to their employees. Monthly premiums are paid to the Lawrence County Educational Service Center as fiscal agent, who in turns pays the claims on the District's behalf. The Council is responsible for the management and operations of the program. Upon termination of the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the fund of the Council.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

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, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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 can be obtained on SERS' website, at www.ohsers.org, under *Employer/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$218,058, \$223,518, and \$208,547, respectively; 83% has been contributed for the fiscal year 2014 and 100% for the fiscal years 2013 and 2012. \$37,387 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Eligible members who do not make a choice during the reselection period will permanently remain under their current plan.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

A. Defined Benefit Pension Plans (continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

A. Defined Benefit Pension Plans (continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

For the fiscal years ended June 30, 2014, plan members were required to contribute 11% of their annual covered salaries. For fiscal years 2013 and 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was allocated for pension benefits. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$679,131, \$685,633, and \$790,495, respectively; 83% has been contributed for the fiscal year 2014 and 100% for the fiscal years 2013 and 2012. \$115,763 represents the unpaid contribution for fiscal year 2014 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Effective July 1, 2014, plan members will be required to contribute 12% of their annual covered salaries.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, no members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

B. Postemployment Benefits

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$51,646, \$53,908, and \$62,506, for fiscal years 2014, 2013, and 2012, respectively, which equaled the required contributions for those years. 83% has been contributed for the fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Postemployment Benefits (continued)

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2014, 2013, and 2012, the actuarially required allocations were 0.76 percent, 0.74 percent, and 0.75 percent, respectively. For the School District, contributions for the fiscal years ended June 30, 2014, 2013, and 2012 were \$14,475, \$13,531, and \$13,654, respectively, which equaled the required contributions for each year. 83% has been contributed for the fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2014, 2013, and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2014, 2013, and 2012 fiscal years equaled \$41,729, \$23,815, and \$33,063 respectively, which equaled the required contributions for those years. 83% has been contributed for the fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 9 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Postemployment Benefits (continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

NOTE 10 - 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 ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 63 days for all personnel.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Guardian Life Insurance Company.

C. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

D. Retirement Incentive

In fiscal year 2011, the School District adopted a one-time early retirement incentive package. Participation was available to teachers and administrators who had twelve or more years of service with the School District or were eligible for full or reduced benefits under the State Teachers Retirement System as of June 30, 2011. Employees under the State Teachers Retirement System who attained 24, 29, or 34 years as of June 30, 2011 could elect to work through June 30, 2012, provided they made the election within the window period of election, which was April 11, 2011 through May 26, 2011.

Teachers and administrators electing the package will receive \$40,000, plus regular severance payments calculated under the applicable collective bargaining agreement. Payments shall be made as follows:

Group 1 – Employees electing the package who are eligible to retire with full or reduced benefits under the State Teachers Retirement System effective on his or her exit date – Participants will receive the total package benefit over 5 years, divided into 60 equal monthly payments made to the participant's selected post-employment 403(b) account. Group 1 participants cannot opt to receive cash rather than post-employment 403(b) deposits.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 10 - EMPLOYEE BENEFITS (continued)

D. Retirement Incentive (continued)

Group 2 – Employees electing the package but are not eligible to retire under the State Teachers Retirement System effective on his or her exit date – Participants will have the total package benefit paid to them over eight years, divided into 96 equal monthly payments. Payments will be subject to withholding for all applicable Medicare, federal, state, and local taxes. Benefits will begin on a date between October 15 and October 31 following the employee’s exit date and will be paid on or about the 15th of each month thereafter until all payments are completed.

Fiscal year 2014 was the final year of payouts for this retirement incentive.

NOTE 11 - LONG-TERM LIABILITIES

The changes in the School District’s long-term liabilities during fiscal year 2014 were as follows:

	Principal Outstanding 7/1/2013	Additions	Deletions	Principal Outstanding 6/30/2014	Due in One Year
General Obligation Bonds:					
2006 School Improvement Refundings Bonds \$2,044,996					
Term Bonds - \$1,385,000 @ 3.6%-4.1%	\$ 1,120,000	\$ -	\$ -	\$ 1,120,000	\$ 295,000
Capital Appreciation Bonds - \$49,996 @ 4.3%-4.5%	49,996	-	-	49,996	-
Accretion of Interest - \$470,004 @ 17.58%	139,411	29,747	-	169,158	-
Premium - \$218,538	115,740	-	13,659	102,081	-
Total General Obligation Bonds	1,425,147	29,747	13,659	1,441,235	295,000
Capital Leases	-	1,028,300	-	1,028,300	49,500
Certificates of Participation	2,860,000	-	125,000	2,735,000	130,000
Employee Severance Plan	153,721	-	153,721	-	-
Compensated Absences	446,373	723,832	724,984	445,221	22,594
Total Long-Term Liabilities	<u>\$ 4,885,241</u>	<u>\$ 1,781,879</u>	<u>\$ 1,017,364</u>	<u>\$ 5,649,756</u>	<u>\$ 497,094</u>

2006 School Improvement Refunding General Obligation Bonds – On December 21, 2005, the Chesapeake Union Exempted Village School District issued \$2,044,996 of General Obligation Bonds which included serial, term, and capital appreciation (deep discount) bonds in the amount of \$610,000, \$1,385,000, and \$49,996, respectively. The term bonds are subject to optional redemption and the capital appreciation bonds are not subject to redemption prior to scheduled maturity. The bonds were issued to refund \$2,045,000 of outstanding 1999 School Improvement General Obligation Bonds. The bonds were issued for a 16 year period with final maturity at December 1, 2022. At the date of refunding, \$2,213,148 (including premium and after underwriting fees, and other issuance costs) was deposited into an irrevocable trust to provide for all future debt service payments on the refunded 1999 School Improvement Bonds. As of June 30, 2014, \$1,120,000 of the refunded bonds is still outstanding. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District’s financial statements. During fiscal year 2014, the District failed to make the principal payment for the term bonds due to an error in the billing system at US Bank. After discovering the missed payment, the District contacted US Bank and wired the past due amount in September 2014.

These refunding bonds were issued with a premium of \$218,538 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2014 was \$13,659. The issuance costs of \$50,386 were expensed. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$168,152. This difference is recorded as a deferred outflow of resources on the Statement of Net Position.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 11 - LONG-TERM LIABILITIES (continued)

The current interest term bonds that mature on December 1, 2014, 2017, and 2022 are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation. The mandatory redemption is to occur on December 1, in each of the years 2011 through 2014, 2015 through 2017, and 2021 through 2022 at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The capital appreciation bonds for this issue mature December 1, 2018 through December 1, 2020. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$520,000. For fiscal year 2014, \$29,747 was accreted for a total capital appreciation bond liability of \$219,154.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014 are as follows:

2006 School Improvement Refunding Bonds						
Fiscal Year Ended June 30,	Serial and Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2015	\$ 295,000	\$ 35,338	\$ -	\$ -	\$ 295,000	\$ 35,338
2016	150,000	29,750	-	-	150,000	29,750
2017	160,000	23,782	-	-	160,000	23,782
2018	165,000	17,526	-	-	165,000	17,526
2019	-	14,350	19,195	150,805	19,195	165,155
2020-2023	350,000	43,255	30,801	319,198	380,801	362,453
Totals	<u>\$ 1,120,000</u>	<u>\$ 164,001</u>	<u>\$ 49,996</u>	<u>\$ 470,003</u>	<u>\$ 1,169,996</u>	<u>\$ 634,004</u>

The School District's overall debt margin was \$9,481,198, with an unvoted debt margin of \$119,481, at June 30, 2014.

Compensated absences and payments for the Employee Severance Plan are being paid from the fund from which the employees' salaries are paid, with the General Fund being the most significant fund. A new capital lease was entered into during 2014 will be retired from the General Fund (See Note 12). The School Improvement Refunding Bonds are being repaid from the Bond Retirement Fund.

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

A. Capital Lease Obligation

In fiscal year 2014, the School District entered into a lease-purchase agreement for the installation of a new Heating, Ventilation, and Air Conditioning (HVAC) system in the amount of \$1,028,300. The School District is leasing the equipment from T.M.I. Energy Solutions and will retain title to the project during the lease term. This project was financed with Huntington National Bank and the School District will make annual lease payments each December. The interest rate is fixed at 4.20 percent and expires in fiscal year 2029. At the end of fiscal year 2014, the outstanding balance of the lease was \$1,028,300.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE (continued)

A. Capital Lease Obligation (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014:

Fiscal Year Ending June 30,	Total Payments
2015	\$93,888
2016	93,910
2017	93,892
2018	93,882
2019	93,875
2020-2024	469,536
2025-2029	469,405
Total	1,408,388
Less: Amount Representing Interest	(380,088)
Present Value of Minimum Lease Payments	<u>\$1,028,300</u>

B. Certificates of Participation

During fiscal year 2013, the School District entered into certificates of participation to finance the construction of an athletic complex. The School District is leasing the projects from PS&W Holding Company, Inc. PSW& Holding Company, Inc. will retain title to the project during the certificate term. PS&W Holding Company, Inc. has assigned US Bank as trustee. The School District is making semi-annual payments to US Bank. Principal payments in fiscal year 2014 totaled \$125,000 in the governmental funds. This debt is being repaid from the Permanent Improvement Fund.

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2014:

Fiscal Year Ending June 30:	Principal	Interest	Total
2015	\$130,000	\$85,100	\$215,100
2016	130,000	82,500	212,500
2017	130,000	79,900	209,900
2018	135,000	77,250	212,250
2019	140,000	73,800	213,800
2020-2024	765,000	302,213	1,067,213
2025-2029	815,000	164,956	979,956
2030-2033	490,000	38,943	528,943
Total	<u>\$2,735,000</u>	<u>\$904,662</u>	<u>\$3,639,662</u>

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 13 - INTERFUND ACTIVITY

Interfund Payables/Receivables

As of June 30, 2014, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Fund:		
General Fund	\$ 518	\$ -
Special Revenue Fund, Non-Major:		
Athletics	-	518
Total All Funds	<u>\$ 518</u>	<u>\$ 518</u>

During the year, the School District's General Fund made advances to the Athletics fund in order to prevent a negative cash balance. This advance is expected to be repaid during fiscal year 2015.

Interfund Transfers

As of June 30, 2014, transfers were as follows:

	<u>Transfer To</u>	<u>Transfer From</u>
Major Fund:		
General Fund	\$ -	\$ 30,644
Non-Major Funds:		
Food Service	28,339	-
Athletic	2,305	-
Total All Funds	<u>\$ 30,644</u>	<u>\$ 30,644</u>

The Food Service Fund received a transfer in from the General Fund in order to avoid a negative fund balance and the Athletic Fund received a transfer in from the General Fund in order to fund purchases of athletic equipment for the students of the District.

NOTE 14 - 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 Ironton City 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 Council of Governments (SCOCA COG) is a jointly governed organization which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities, 60 non-public education entities, 2 private schools and public libraries from 23 Ohio counties. The organization was formed for 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 COG consists of two superintendents from each of the ten participating school district counties and two school treasurers. SCOCA COG is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid SCOCA COG \$95,355 for services provided during the year. Financial information for SCOCA COG can be obtained from Sandee Benson, P.O. Box 596, 175 Beaver Creek, Suite 2, Piketon, Ohio 45661.

Chesapeake Union Exempted Village School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

NOTE 15 - INSURANCE PURCHASING AND SHARED RISK POOLS

The Better Business Bureau of Central Ohio's Workers' Compensation Retrospective Group Rating Program (GRP) is an insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The Lawrence County Schools Council of Governments Health Benefits Program (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a Board of Directors, which consists of the superintendent from each participating school district. The Council elects officers for one-year terms to serve on the Board of Directors. The Board of Directors exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the Council.

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND BALANCE RESTRICTIONS

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 acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2013	\$ 123,902
Current year set-aside requirement	243,126
Current year offsets	(36,906)
Current year qualifying expenditures	<u>(255,801)</u>
Set-aside Balance as of June 30, 2014	<u>\$ 74,321</u>

NOTE 17 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The School District is currently party to legal proceedings. However, it is the opinion of management that any results of such proceedings will not have a material adverse effect on the School District's financial condition.

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 18 – ACCOUNTABILITY

Accountability - Fund Balance Deficits

At June 30, 2014, the Food Service, Title VI-B, Title I, and Improving Teacher Quality nonmajor special revenue funds had fund balance deficits of \$53,339, \$7,308, \$ 13,203, and \$9,378, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 19 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Unclaimed Monies	\$ 316	\$ -	\$ -	\$ 316
Restricted for				
Other Purposes	-	-	7,008	7,008
Classroom Facilities Maintenance	-	-	411,413	411,413
Miscellaneous State Grants	-	-	29,550	29,550
Miscellaneous Federal Grants	-	-	30,181	30,181
Capital Improvements	74,321	-	-	74,321
Capital Projects	-	-	126,138	126,138
Debt Services Payments	-	789,352	-	789,352
Total Restricted	<u>74,321</u>	<u>789,352</u>	<u>604,290</u>	<u>1,467,963</u>
Committed to				
Underground Storage Tanks	11,000	-	-	11,000
Total Committed	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
Assigned to				
Other Purposes	499,162	-	-	499,162
Unassigned (Deficit)	<u>495,210</u>	<u>-</u>	<u>(83,228)</u>	<u>411,982</u>
Total Fund Balances	<u>\$ 1,080,009</u>	<u>\$ 789,352</u>	<u>\$ 521,062</u>	<u>\$ 2,390,423</u>

Chesapeake Union Exempted Village School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLES

For 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, “Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62,” GASB Statement No. 69, “Government Combinations and Disposals of Government Operations,” and GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

NOTE 21 – COMMITMENTS

A. Contractual

As of June 30, 2014, the School District’s contractual purchase commitments from the Permanent Improvement Fund for the Athletic Field Project are as follows:

<u>Project</u>	<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 06/30/14</u>
HVAC Upgrade	T.M.I. Energy Solutions	\$859,205	\$798,285	\$60,920
Athletic Complex	J & H Reinforcing	1,479,662	1,424,320	55,342

Chesapeake Union Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 21 – COMMITMENTS (continued)

B. Encumbrances

At June 30, 2014, the School District had encumbrance commitments in governmental fund as follows:

Fund	Amount
Major Funds:	
General	\$499,162
Bond Retirement	145,000
Non-Major Funds:	
Permanent Improvement	585,408 *
Food Service	6,508
Classroom Facilities	17,160
Martha Jennings	542
Capital Project - HVAC Upgrade	60,920
Athletics	2,946
Public School Preschool	24,626
Miscellaneous State Grants	4,612
IDEA Part B	356
Title I	1,582
Improving Teacher Quality	670
Miscellaneous Federal Grants	7,407
Total Non-Major Funds	712,737
Total Encumbrances	\$1,356,899

* As of June 30, 2014, \$523,338 of this outstanding encumbrance was due to be reduced by change orders which had not been processed at year end.

Chesapeake Union Exempted Village School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$91,524	\$0	\$91,524	\$0
National School Lunch Program	3L60	10.555	243,679	33,187	243,679	33,187
Total Child Nutrition Cluster			335,203	33,187	335,203	33,187
Total United States Department of Agriculture			335,203	33,187	335,203	33,187
<u>United States Department of Education</u>						
<i>Passed through the Ohio Department of Education</i>						
Special Education-Grants to States	3M20	84.027	286,281	0	275,447	0
Title I Grants to Local Educational Agencies	3M00	84.010	360,747	0	352,655	0
Twenty-First Century Community Learning Centers	3Y20	84.287	450,000	0	450,000	0
State Grants for Innovative Programs	C2S1	84.298	0	0	703	0
State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top						
Incentive Grants, Recovery Act	3FD0	84.395	700	0	700	0
Improving Teacher Quality State Grants	3Y60	84.367	107,669	0	101,946	0
Total United States Department of Education			1,205,397	0	1,181,451	0
Total Federal Financial Assistance			\$1,540,600	\$33,187	\$1,516,654	\$33,187

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

Chesapeake Union Exempted Village School District
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2014

Note 1 – Significant Accounting Policies

The accompanying schedule of federal awards expenditures includes the federal grant activity of the School District and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Education
Chesapeake Union Exempted Village School District
10183 County Road 1
Chesapeake, Ohio 45619

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

School District's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

December 8, 2014

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Independent Auditor's Report

Board of Education
Chesapeake Union Exempted Village School District
10183 County Road 1
Chesapeake, Ohio 45619

Report on Compliance for Each Major Federal Program

We have audited Chesapeake Union Exempted Village School District's (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2014. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 on compliance for its major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

December 8, 2014

Chesapeake Union Exempted Village School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>		
Type of financial statement opinion:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		Yes
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:		Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Twenty-First Century Community Learning Centers (CFDA #84.287)
Dollar threshold used to distinguish between type A and type B programs:		Type A: >\$300,000 Type B: All Others
Auditee qualified as low-risk auditee?		Yes

Section II – Financial Statement Findings

Finding 2014-001

Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. The School District had appropriations in excess of estimated resources for its Permanent Improvement Fund in the amount of \$469,437. The School District should implement the appropriate procedures, such as periodic comparisons of estimated resources to appropriations, to ensure that appropriations are limited to estimated resources to ensure improper spending does not occur.

Client Response:

In the future, we will make sure appropriations do not exceed estimated resources.

Section III – Federal Award Findings and Questioned Costs

None.

Chesapeake Union Exempted Village School District

*Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Fiscal Year Ended June 30, 2014*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2013-1	Significant Deficiency – Financial Reporting	Yes	
Finding 2013-2	Noncompliance/Significant Deficiency – Reporting – 21 st Century	Yes	

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Dave Yost • Auditor of State

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
FEBRUARY 17, 2015**