



**Auditor of State  
Betty Montgomery**



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Balance Sheet – All Fund Types and Account Groups As of June 30, 2003 .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types For the Fiscal Year Ended June 30, 2003 .....	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) – All Governmental Fund Types For the Fiscal Year Ended June 30, 2003 .....	9
Statement of Revenues, Expenses and Changes in Fund Equity - Proprietary Fund Type For the Fiscal Year Ended June 30, 2003 .....	13
Statement of Revenues, Expenses and Changes in Fund Equity Budget and Actual (Budget Basis) – Proprietary Fund Type For the Fiscal Year Ended June 30, 2003 .....	14
Statement of Cash Flows – Proprietary Fund Type For the Fiscal Year Ended June 30, 2003 .....	15
Notes to the General Purpose Financial Statements.....	17
Schedule of Federal Awards Receipts and Expenditures.....	41
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	42
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	43
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	45
Schedule of Findings - <i>OMB Circular A-133 § .505</i> .....	47
Corrective Action Plan - <i>OMB Circular A-133 § .505</i> .....	49

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Chesapeake Union Exempted Village School District, Lawrence County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2003 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Federal Awards Receipts and Expenditures Schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 31, 2003

**This page intentionally left blank.**

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

Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2003

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<u>Assets and Other Debits:</u>					
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$755,975	\$428,383	\$1,004,487	\$4,662,155	\$29,505
Cash and Cash Equivalents in Segregated Accounts	0	0	0	69,092	0
Receivables:					
Accounts	209	67	0	22	0
Property Taxes	1,527,921	35,611	472,981	0	0
Intergovernmental	21,184	89,486	0	4,092,324	0
Interfund	10,000	0	0	0	0
Inventory Held for Resale	0	0	0	0	21,593
Materials and Supplies Inventory	13,224	0	0	0	2,543
Prepaid Items	21,883	0	0	0	123
Restricted Assets:					
Cash and Cash Equivalents	448,067	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	118,388
<u>Other Debits:</u>					
Amount Available in Debt Service Fund	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$2,798,463</b>	<b>\$553,547</b>	<b>\$1,477,468</b>	<b>\$8,823,593</b>	<b>\$172,152</b>



Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$8,182	\$0	\$0	\$6,888,687
0	0	0	69,092
0	0	0	298
0	0	0	2,036,513
0	0	0	4,202,994
0	0	0	10,000
0	0	0	21,593
0	0	0	15,767
0	0	0	22,006
0	0	0	448,067
0	29,530,119	0	29,648,507
0	0	1,023,543	1,023,543
0	0	2,905,008	2,905,008
<u>\$8,182</u>	<u>\$29,530,119</u>	<u>\$3,928,551</u>	<u>\$47,292,075</u>

(Continued)

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

Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2003  
(Continued)

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<u>Liabilities, Fund Equity and Other Credits:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$42,069	\$8,743	\$0	\$0	\$2,767
Contracts Payable	0	0	0	324,302	0
Accrued Wages and Benefits Payable	747,760	98,646	0	0	17,500
Compensated Absences Payable	16,679	0	0	0	17,865
Retainage Payable	0	0	0	69,092	0
Interfund Payable	0	10,000	0	0	0
Intergovernmental Payable	142,376	15,743	0	0	24,504
Deferred Revenue	1,476,784	123,676	453,925	4,092,324	0
Due to Students	0	0	0	0	0
Capital Leases Payable	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0
<b>Total Liabilities</b>	<b>2,425,668</b>	<b>256,808</b>	<b>453,925</b>	<b>4,485,718</b>	<b>62,636</b>
<u>Fund Equity and Other Credits:</u>					
Investment in General Fixed Assets	0	0	0	0	0
Contributed Capital	0	0	0	0	262,629
Retained Earnings:					
Unreserved (Deficit)	0	0	0	0	(153,113)
Fund Balance:					
Reserved for Encumbrances	10,067	21,876	0	1,370,445	0
Reserved for Inventory	13,224	0	0	0	0
Reserved for Textbooks	448,067	0	0	0	0
Reserved for Property Taxes	61,149	1,421	19,056	0	0
Reserved for Bus Purchases	2,028	0	0	0	0
Reserved for Unclaimed Monies	3,005	0	0	0	0
Unreserved:					
Designated	101,174	12,869	0	0	0
Undesignated (Deficit)	(265,919)	260,573	1,004,487	2,967,430	0
<b>Total Fund Equity and Other Credits</b>	<b>372,795</b>	<b>296,739</b>	<b>1,023,543</b>	<b>4,337,875</b>	<b>109,516</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,798,463</b>	<b>\$553,547</b>	<b>\$1,477,468</b>	<b>\$8,823,593</b>	<b>\$172,152</b>

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
	\$0	\$0	\$0
	0	0	0
	0	0	0
	0	0	709,126
	0	0	0
	0	0	0
	0	0	78,561
	0	0	0
	0	0	6,146,709
8,182	0	0	8,182
0	0	5,864	5,864
0	0	3,135,000	3,135,000
8,182	0	3,928,551	11,621,488
0	29,530,119	0	29,530,119
0	0	0	262,629
0	0	0	(153,113)
0	0	0	1,402,388
0	0	0	13,224
0	0	0	448,067
0	0	0	81,626
0	0	0	2,028
0	0	0	3,005
0	0	0	114,043
0	0	0	3,966,571
0	29,530,119	0	35,670,587
\$8,182	\$29,530,119	\$3,928,551	\$47,292,075

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

Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2003

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$1,446,615	\$33,755	\$447,610	\$0	\$1,927,980
Intergovernmental	6,138,281	1,299,781	58,686	81,500	7,578,248
Interest	75,671	0	0	172,182	247,853
Tuition and Fees	2,716	0	0	0	2,716
Gifts and Donations	0	235	0	0	235
Extracurricular Activities	0	84,465	0	0	84,465
Miscellaneous	69,796	9,651	0	22	79,469
<b>Total Revenues</b>	<b>7,733,079</b>	<b>1,427,887</b>	<b>506,296</b>	<b>253,704</b>	<b>9,920,966</b>
<u>Expenditures:</u>					
Current:					
Instruction					
Regular	3,461,428	561,647	0	0	4,023,075
Special	551,203	489,913	0	0	1,041,116
Vocational	4,041	0	0	0	4,041
Other	104,913	0	0	0	104,913
Support Services					
Pupils	459,008	63,578	0	0	522,586
Instructional Staff	253,695	208,970	0	0	462,665
Board of Education	32,622	0	0	0	32,622
Administration	812,629	37,850	0	0	850,479
Fiscal	247,787	621	8,218	0	256,626
Operation and Maintenance of Plant	894,824	12,186	0	0	907,010
Pupil Transportation	594,850	30,270	0	0	625,120
Central	52,791	36,126	0	0	88,917
Extracurricular Activities	191,863	63,802	0	0	255,665
Capital Outlay	29,407	0	0	1,252,249	1,281,656
Debt Service					
Principal Retirement	3,233	0	190,000	0	193,233
Interest and Fiscal Charges	610	0	211,921	0	212,531
<b>Total Expenditures</b>	<b>7,694,904</b>	<b>1,504,963</b>	<b>410,139</b>	<b>1,252,249</b>	<b>10,862,255</b>
Excess of Revenues Over (Under) Expenditures	38,175	(77,076)	96,157	(998,545)	(941,289)
<u>Other Financing Sources (Uses):</u>					
Proceeds from the Sale of Fixed Assets	553	0	0	0	553
Operating Transfers In	0	0	0	110,998	110,998
Operating Transfers Out	(110,998)	0	0	0	(110,998)
<b>Total Other Financing Sources (Uses)</b>	<b>(110,445)</b>	<b>0</b>	<b>0</b>	<b>110,998</b>	<b>553</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(72,270)	(77,076)	96,157	(887,547)	(940,736)
Fund Balance (Deficit) at Beginning of Year	436,996	373,815	927,386	5,225,422	6,963,619
Increase in Reserve for Inventory	8,069	0	0	0	8,069
<b>Fund Balance at End of Year</b>	<b>\$372,795</b>	<b>\$296,739</b>	<b>\$1,023,543</b>	<b>\$4,337,875</b>	<b>\$6,030,952</b>

See accompanying notes to the general purpose financial statements

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

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Budget Basis)  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2003  
(Continued)

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$1,872,928	\$1,872,928	\$0
Intergovernmental	7,598,979	7,598,979	0
Interest	262,975	262,975	0
Tuition and Fees	2,716	2,716	0
Rent	235	235	0
Extracurricular Activities	84,465	84,465	0
Miscellaneous	72,933	72,933	0
<b>Total Revenues</b>	<b>9,895,231</b>	<b>9,895,231</b>	<b>0</b>
<u>Expenditures:</u>			
Current:			
Instruction			
Regular	4,117,970	4,117,970	0
Special	1,044,949	1,044,949	0
Vocational	4,041	4,041	0
Other	104,913	104,913	0
Support Services:			
Pupils	513,439	513,439	0
Instructional Staff	451,867	451,867	0
Board of Education	36,012	36,012	0
Administration	842,626	842,626	0
Fiscal	254,594	254,594	0
Operation and Maintenance of Plant	936,508	936,508	0
Pupil Transportation	624,249	624,249	0
Central	98,136	98,136	0
Extracurricular Activities	270,858	270,858	0
Capital Outlay	2,953,193	2,953,193	0
Debt Service			
Principal Retirement	190,000	190,000	0
Interest and Fiscal Charges	211,921	211,921	0
<b>Total Expenditures</b>	<b>12,655,276</b>	<b>12,655,276</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(2,760,045)	(2,760,045)	0
<u>Other Financing Sources (Uses):</u>			
Proceeds from the Sale of Fixed Assets	553	553	0
Advances In	10,000	10,000	0
Operating Transfers In	110,998	110,998	0
Advances Out	(10,000)	(10,000)	0
Operating Transfers Out	(110,998)	(110,998)	0
<b>Total Other Financing Sources (Uses)</b>	<b>553</b>	<b>553</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,759,492)	(2,759,492)	0
Fund Balance at Beginning of Year	6,678,756	6,678,756	0
Prior Year Encumbrance Appropriated	1,868,064	1,868,064	0
<b>Fund Balance at End of Year</b>	<b>\$5,787,328</b>	<b>\$5,787,328</b>	<b>\$0</b>

See accompanying notes to the general purpose financial statements

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

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Budget Basis)  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2003  
(Continued)

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$32,794	\$32,794	\$0
Intergovernmental	1,320,619	1,320,619	0
Interest	0	0	0
Tuition and Fees	0	0	0
Gifts and Donations	235	235	0
Extracurricular Activities	84,465	84,465	0
Miscellaneous	9,584	9,584	0
<b>Total Revenues</b>	<b>1,447,697</b>	<b>1,447,697</b>	<b>0</b>
<u>Expenditures:</u>			
Current:			
Instruction			
Regular	569,140	569,140	0
Special	500,158	500,158	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupils	61,659	61,659	0
Instructional Staff	208,595	208,595	0
Board of Education	0	0	0
Administration	37,661	37,661	0
Fiscal	621	621	0
Operation and Maintenance of Plant	12,186	12,186	0
Pupil Transportation	29,986	29,986	0
Central	41,529	41,529	0
Extracurricular Activities	73,232	73,232	0
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>1,534,767</b>	<b>1,534,767</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(87,070)	(87,070)	0
<u>Other Financing Sources (Uses):</u>			
Proceeds from the Sale of Fixed Assets	0	0	0
Advances In	10,000	10,000	0
Operating Transfers In	0	0	0
Advances Out	0	0	0
Operating Transfers Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>10,000</b>	<b>10,000</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(77,070)	(77,070)	0
Fund Balance at Beginning of Year	465,456	465,456	0
Prior Year Encumbrance Appropriated	9,622	9,622	0
<b>Fund Balance at End of Year</b>	<b>\$398,008</b>	<b>\$398,008</b>	<b>\$0</b>

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$434,780	\$434,780	\$0	\$0	\$0	\$0
58,686	58,686	0	81,500	81,500	0
0	0	0	176,648	176,648	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
493,466	493,466	0	258,148	258,148	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
8,218	8,218	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,921,707	2,921,707	0
190,000	190,000	0	0	0	0
211,921	211,921	0	0	0	0
410,139	410,139	0	2,921,707	2,921,707	0
83,327	83,327	0	(2,663,559)	(2,663,559)	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	110,998	110,998	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	110,998	110,998	0
83,327	83,327	0	(2,552,561)	(2,552,561)	0
921,160	921,160	0	4,170,491	4,170,491	0
0	0	0	1,742,872	1,742,872	0
\$1,004,487	\$1,004,487	\$0	\$3,360,802	\$3,360,802	\$0

(Continued)

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

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Budget Basis)  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2003  
(Continued)

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$1,872,928	\$1,872,928	\$0
Intergovernmental	7,598,979	7,598,979	0
Interest	262,975	262,975	0
Tuition and Fees	2,716	2,716	0
Rent	235	235	0
Extracurricular Activities	84,465	84,465	0
Miscellaneous	72,933	72,933	0
<b>Total Revenues</b>	<b>9,895,231</b>	<b>9,895,231</b>	<b>0</b>
<u>Expenditures:</u>			
Current:			
Instruction			
Regular	4,117,970	4,117,970	0
Special	1,044,949	1,044,949	0
Vocational	4,041	4,041	0
Other	104,913	104,913	0
Support Services:			
Pupils	513,439	513,439	0
Instructional Staff	451,867	451,867	0
Board of Education	36,012	36,012	0
Administration	842,626	842,626	0
Fiscal	254,594	254,594	0
Operation and Maintenance of Plant	936,508	936,508	0
Pupil Transportation	624,249	624,249	0
Central	98,136	98,136	0
Extracurricular Activities	270,858	270,858	0
Capital Outlay	2,953,193	2,953,193	0
Debt Service			
Principal Retirement	190,000	190,000	0
Interest and Fiscal Charges	211,921	211,921	0
<b>Total Expenditures</b>	<b>12,655,276</b>	<b>12,655,276</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(2,760,045)	(2,760,045)	0
<u>Other Financing Sources (Uses):</u>			
Proceeds from the Sale of Fixed Assets	553	553	0
Advances In	10,000	10,000	0
Operating Transfers In	110,998	110,998	0
Advances Out	(10,000)	(10,000)	0
Operating Transfers Out	(110,998)	(110,998)	0
<b>Total Other Financing Sources (Uses)</b>	<b>553</b>	<b>553</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,759,492)	(2,759,492)	0
Fund Balance at Beginning of Year	6,678,756	6,678,756	0
Prior Year Encumbrance Appropriated	1,868,064	1,868,064	0
<b>Fund Balance at End of Year</b>	<b>\$5,787,328</b>	<b>\$5,787,328</b>	<b>\$0</b>

See accompanying notes to the general purpose financial statements



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

Statement of Revenues,  
Expenses and Changes in Fund Equity  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2003

	Enterprise
<u>Operating Revenues:</u>	
Sales	\$164,182
Total Operating Revenues	164,182
<u>Operating Expenses:</u>	
Salaries	173,070
Fringe Benefits	92,672
Materials and Supplies	167,587
Cost of Sales	45,784
Depreciation	51,750
Total Operating Expenses	530,863
Operating Loss	(366,681)
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	53,115
Interest	1,412
Federal and State Subsidies	253,528
Total Non-Operating Revenues	308,055
Net Loss	(58,626)
Retained Earnings (Deficit) at Beginning of Year	(94,487)
Retained Earnings (Deficit) at End of Year	(153,113)
Contributed Capital at Beginning and End of Year	262,629
Total Fund Equity at End of Year	\$109,516

See accompanying notes to the general purpose financial statements

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

Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2003

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$164,183	\$164,183	\$0
Interest	1,762	1,762	0
Federal and State Subsidies	256,131	256,131	0
<b>Total Revenues</b>	<b>422,076</b>	<b>422,076</b>	<b>0</b>
<u>Expenses:</u>			
Salaries	182,268	182,268	0
Fringe Benefits	72,690	72,690	0
Materials and Supplies	172,511	172,511	0
Capital Outlay	68,561	68,561	0
<b>Total Operating Expenses</b>	<b>496,030</b>	<b>496,030</b>	<b>0</b>
Excess of Revenues Under Expenses	(73,954)	(73,954)	0
Fund Equity at Beginning of Year	95,089	95,089	0
Prior Year Encumbrances Appropriated	6,430	6,430	0
<b>Fund Equity at End of Year</b>	<b>\$27,565</b>	<b>\$27,565</b>	<b>\$0</b>

See accompanying notes to the general purpose financial statements

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

Statement of Cash Flows  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2003

	Proprietary Fund Type
	Enterprise
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$164,182
Cash Payments to Suppliers for Goods and Services	(170,570)
Cash Payments for Employee Services and Benefits	(254,958)
Net Cash Used for Operating Activities	(261,346)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	256,131
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(68,561)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	1,412
Net Decrease in Cash and Cash Equivalents	(72,364)
Cash and Cash Equivalents at Beginning of Year	101,869
Cash and Cash Equivalents at End of Year	\$29,505
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$366,681)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	51,750
Donated Commodities Used During Year	53,115
Changes in Assets and Liabilities:	
Increase in Inventory Held for Resale	(7,628)
Decrease in Materials and Supplies Inventory	297
Decrease in Prepaid Items	(1)
Decrease in Accounts Payable	(3,020)
Increase in Accrued Wages and Benefits Payable	1,858
Decrease in Compensated Absences	1,175
Increase in Intergovernmental Payable	7,790
Total Adjustments	105,336
Net Cash Used for Operating Activities	(\$261,345)
Noncash noncapital financing activities:	
During Fiscal year 2003, the food service enterprise fund received \$53,115 in federal donated commodities.	

See accompanying notes to the general purpose financial statements

**This page intentionally left blank.**

# Chesapeake Union Exempted Village School District

## *Notes to the General Purpose Financial Statements*

*June 30, 2003*

---

### **Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's five instructional/support facilities staffed by 66 noncertified employees, 91 certificated full time teaching personnel and 11 administrators who provide services to 1,284 students and other community members.

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

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

The School District is associated with three organizations which are defined as jointly governed organizations. These organizations are presented in Note 10 to the general purpose financial statements. These organizations are the Lawrence County Joint Vocational School District, the South Central Ohio Computer Association and Pilasco-Ross Special Education Regional Resource Center.

The School District is associated with three organizations which are defined as insurance purchasing pools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, the Ohio School Plan and the Lawrence County Schools Insurance Purchasing Consortium. Information about these organizations is presented in Note 11 to the combined financial statements.

### **Note 2 - Summary of Significant Accounting Policies**

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

# Chesapeake Union Exempted Village School District

## Notes to the General Purpose Financial Statements

June 30, 2003

---

### **A. Basis of Presentation - Fund Accounting**

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

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

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

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

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

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

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

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

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

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

# Chesapeake Union Exempted Village School District

## Notes to the General Purpose Financial Statements

June 30, 2003

---

**Fiduciary Fund Types** Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

### **B. Measurement Focus and Basis of Accounting**

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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. 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 sixty days of fiscal year end.

## Chesapeake Union Exempted Village School District

### *Notes to the General Purpose Financial Statements*

*June 30, 2003*

---

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (Note 7) Revenue from grants 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 expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

### ***C. Budgetary Data***

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

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



## Chesapeake Union Exempted Village School District

### *Notes to the General Purpose Financial Statements*

*June 30, 2003*

---

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

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

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

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

#### ***D. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. The School District is responsible for an interest bearing account that consists of retainage held on contracts. The balance in this account is presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" and represents deposits.

During fiscal year 2003, investments were limited to overnight repurchase agreements which are reported at cost.

## Chesapeake Union Exempted Village School District

### *Notes to the General Purpose Financial Statements*

*June 30, 2003*

---

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$75,671, which includes \$42,778 assigned from other School District funds.

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

#### ***E. Inventory***

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

#### ***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

#### ***G. Fixed Assets and Depreciation***

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

## Chesapeake Union Exempted Village School District

### *Notes to the General Purpose Financial Statements*

*June 30, 2003*

---

#### ***H. Compensated Absences***

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

#### ***I. Accrued Liabilities and Long-Term Obligations***

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

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

#### ***J. Interfund Transactions***

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

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

#### ***K. Fund Balance Reserves***

The School District reserves fund balance for amounts that are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes,

## Chesapeake Union Exempted Village School District

### *Notes to the General Purpose Financial Statements*

*June 30, 2003*

---

inventories of materials and supplies, unclaimed monies, school bus purchases and textbooks and instructional materials.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for unclaimed monies is established because, by law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

#### ***L. Contributed Capital***

Contributed capital represents resources from other funds, other governments and private sources provided to proprietary funds prior to 2001 that are not subject to repayment.

After fiscal year 2001, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital, based on new guidelines established by GASB Statement 33, "Accounting and Reporting for Nonexchange Transactions." There was no change in contributed capital during the fiscal year.

#### ***M. Restricted Assets***

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for school bus purchases and money required by statute to be set-aside for the purchase of textbooks. See Note 22 for additional information regarding set-asides.

#### ***N. Estimates***

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

#### ***O. Designation of Fund Balance***

The School District has a fund balance designation on the balance sheet of \$98,250 in the general fund for money set aside by the Board of Education for the potential payment of future health insurance premiums and \$2,924 for additional money set-aside by the Board of Education above the reserve for capital improvements required by State statute. The School District also has a fund designation on the balance sheet of \$12,869 in special revenue funds for money set aside by the Board of Education for the potential payment of future health insurance premiums.

#### ***P. Total Columns on General Purpose Financial Statements***

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

# Chesapeake Union Exempted Village School District

## Notes to the General Purpose Financial Statements

June 30, 2003

---

### Note 3 – Prior Period Restatement

Fixed assets in the general fixed asset account group were misstated in the previous fiscal year. The amount of fixed assets stated in fiscal year 2002 was \$22,668,289. The amount of the adjustment was \$3,180,165, and the restated beginning balance for fiscal year 2003 is \$25,848,454.

### Note 4 - Accountability

The following funds had deficit fund balances at June 30, 2003:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Disadvantaged Pupil Impact Aid	\$36,089
Ohio Reads	\$16
Miscellaneous Federal Grants	\$4,154
Title I	\$41,101
Drug Free Schools	\$8,501

The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

### Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**Chesapeake Union Exempted Village School District**

*Notes to the General Purpose Financial Statements*

*June 30, 2003*

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

Excess of Revenues and Other Financing Sources  
Over(Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	(\$72,270)	(\$77,076)	\$96,157	(\$887,547)
Adjustments:				
Revenue Accruals	(37,159)	19,810	(12,830)	4,444
Beginning of Year:				
Prepaid Items	11,848	0	0	0
End of Year:				
Prepaid Items	(21,883)	0	0	0
Expenditure Accruals	96,287	571	0	(299,013)
Advances	(10,000)	10,000		
Encumbrances	<u>(180,011)</u>	<u>(30,375)</u>	0	<u>(1,370,445)</u>
Budget Basis	<u><u>(\$213,188)</u></u>	<u><u>(\$77,070)</u></u>	<u><u>\$83,327</u></u>	<u><u>(\$2,552,561)</u></u>

Net Loss/Excess of Revenues  
Under Expenses  
Proprietary Fund Type

	<u>Enterprise</u>
GAAP Basis	(\$58,626)
Revenue Accruals	(50,161)
Beginning of Year:	
Prepaid Items	(122)
End of Year:	
Prepaid Items	123
Expense Accruals	(14,978)
Depreciation Expense	51,750
Encumbrances	<u>(1,940)</u>
Budget Basis	<u><u>(\$73,954)</u></u>

**Note 6 - 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 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.

## Chesapeake Union Exempted Village School District

### *Notes to the General Purpose Financial Statements*

*June 30, 2003*

---

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

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

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

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

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

**Chesapeake Union Exempted Village School District**

*Notes to the General Purpose Financial Statements*

*June 30, 2003*

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

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

**Deposits** At year end, the carrying amount of the School District's deposits was \$114,374 and the bank balance was \$321,633. \$100,000 of the bank balance was covered by federal depository insurance and \$221,633 was uncollateralized and uninsured.

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

	Category 3	Carrying and Fair Value
Repurchase Agreements	\$7,291,472	\$7,291,472

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$7,405,846	\$0
Repurchase Agreements	(7,291,472)	7,291,472
GASB Statement 3	<u>\$114,374</u>	<u>\$7,291,472</u>

**Note 7 - 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, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property



# Chesapeake Union Exempted Village School District

## Notes to the General Purpose Financial Statements

June 30, 2003

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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 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.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$61,149 in the General Fund, \$19,056 in the Bond Retirement Fund and \$1,421 in the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2002, was \$19,888 in the General Fund, \$6,226 in the Bond Retirement Fund and \$460 in the Classroom Facilities Special Revenue Fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$59,064,470	78%	\$60,186,990	78%
Public Utility Personal	11,439,190	15%	12,075,250	15%
Tangible Personal Property	5,065,570	7%	5,365,320	7%
Total	<u>\$75,569,230</u>	<u>100%</u>	<u>\$77,627,560</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation		\$27.76		\$27.76

# Chesapeake Union Exempted Village School District

## Notes to the General Purpose Financial Statements

June 30, 2003

---

### Note 8 - Receivables

Receivables at June 30, 2003, consisted of taxes, accounts (rent and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund:	
Community Alternative Funding System	\$14,310
Miscellaneous Reimbursements	6,649
Workers' Compensation Refund	225
Total General Fund	<u>21,184</u>
Special Revenue Funds:	
Collaborative Access	28,959
Title I	52,029
Drug Free Schools	8,498
Total Special Revenue Funds	<u>89,486</u>
Capital Projects Fund:	
Classroom Facilities	4,092,324
Total All Funds	<u><u>\$4,202,994</u></u>

The School District was awarded \$16,265,325 for renovations and construction of school buildings within the School District under the State's "Classroom Facilities Program." Under this program, the School District entered into an agreement with the State of Ohio in which the State grants pay for a portion of the estimated project costs. As of the end of fiscal year 2003, the School District had received \$12,173,001 of the amount awarded under this program. The remaining amount of \$4,092,324 is recorded as a receivable and a deferred revenue on the balance sheet.

### Note 9 - Fixed Assets

A summary of the enterprise fund's fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$186,363
Less: accumulated depreciation	<u>(67,975)</u>
Net Fixed Assets	<u><u>\$118,388</u></u>

**Chesapeake Union Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*June 30, 2003*

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	Balance 06/30/02	Restatement - Note 3	Balance 07/01/02	Additions	Deletions	Balance 06/30/03
Land and Improvements	\$97,032	\$742,093	\$839,125	\$187,834	\$0	\$1,026,959
Buildings and Improvements	9,105,556	6,165,136	15,270,692	11,218,472	0	26,489,164
Textbooks	907,133	(555,437)	351,696	226,808	0	578,504
Vehicles	781,576	(186,642)	594,934	123,620	0	718,554
Furniture and Equipment	3,097,471	(2,984,985)	112,486	95,875	0	208,361
Construction in Progress	8,679,521	0	8,679,521	508,577	8,679,521	508,577
Total General Fixed Assets	<u>\$22,668,289</u>	<u>\$3,180,165</u>	<u>\$25,848,454</u>	<u>\$12,361,186</u>	<u>\$8,679,521</u>	<u>\$29,530,119</u>

**Note 10 - Jointly Governed Organizations**

The Lawrence County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Chesapeake-Union Exempted Village School District, two from the 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 (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from State funding and an annual fee of \$4.00 per student charged to participating districts. Chesapeake Union Exempted Village School District paid \$48,443 for services provided during fiscal year 2003. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross CTC, Shawnee State University, and Pike, Ross, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Chesapeake Union Exempted Village School District's superintendent is currently on the SERRC Board. The fiscal agent for the SERRC is Dawson Bryant LSD. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

# Chesapeake Union Exempted Village School District

## Notes to the General Purpose Financial Statements

June 30, 2003

---

### Note 11 - Insurance Purchasing Pools

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

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool. The consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service center.

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated nonprofit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

### Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2003, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each participating school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage and deductibles that it selects. The District pays this annual premium to the OSP (See Note 11).

The types and amounts of coverage provided by the OSP are as follows:

General Liability	
Each Occurrence	\$1,000,000
Aggregate Limit	\$3,000,000
Products - Completed Operations Aggregate Limit	\$1,000,000
Personal and Advertising Injury Limit - Each Offense	\$10,000
Fire Damage Limit - Any One Event	\$500,000
Excess Liability	
Each Occurrence	\$2,000,000
Aggregate Limit	\$2,000,000
Employer's Liability	
Each Occurrence	\$1,000,000
Disease - Each Employee	\$1,000,000
Auto Insurance	
Liability	\$1,000,000
Auto Medical Payments	\$5,000
Uninsured Motorists	\$50,000

**Chesapeake Union Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*June 30, 2003*

---

For fiscal year 2003, the School District obtained property insurance through the Ohio School Plan in the amount of \$38,566,600.

Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant reduction in coverage from the prior year.

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool (Note 11). The intent of the consortium is to achieve the benefit of a reduced health insurance premium for the School District by virtue of its grouping and representation with other participants in the consortium. Each participant pays its health insurance premium to the insurance provider. Participation in the consortium is limited to school districts that can meet the criteria outlined in the consortium's operating articles. The firm of Cross and Associates provides administrative services to the consortium.

**Note 13 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3676.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$121,352, \$68,213, and \$35,977 respectively; 53

**Chesapeake Union Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*June 30, 2003*

---

percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002, and 2001.

***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$622,391, \$427,790, and \$466,492, respectively; 85 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. There were no contributions to the DC and Combined Plans for fiscal year 2003.

**Chesapeake Union Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*June 30, 2003*

---

**Note 14 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$47,876 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3,011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$115,988.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Note 15 - Other Employee Benefits**

**A. *Compensated Absences***

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time.

# Chesapeake Union Exempted Village School District

## Notes to the General Purpose Financial Statements

June 30, 2003

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Certified and classified employees, except bus drivers, may accumulate a maximum of 270 days of sick leave. Bus drivers may accumulate a maximum of 230 days of sick leave. Upon retirement, payment is made for one-fourth of the total sick leave accumulated.

### **B. Life Insurance and Health Care Benefits**

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

Health insurance is provided by Medical Mutual Insurance Company. Premiums for this coverage are \$993.89 for family coverage and \$402.78 for single coverage. The School District pays 80% of both family and single coverage premium. Dental insurance is provided by CoreSource, Inc. Premiums for this coverage are \$52.43 for both single and family coverage. The School District pays 100% of the premium. Vision insurance is provided by Vision Service Plan. Premiums for this coverage are \$19.57 for both single and family coverage. The School District pays 100% of the premium.

### **Note 16 – Capital Leases - Lessee Disclosure**

During fiscal year 2002, the School District entered into capitalized leases for three copiers. The leases met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a general purpose financial statement. Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$11,949, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	General Long-Term Obligations
2004	\$3,843
2005	1,192
2006	1,192
2007	199
Total minimum lease payments	6,426
Less: amount representing interest	(562)
Present value of minimum lease payments	<u>\$5,864</u>



**Chesapeake Union Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
 June 30, 2003

**Note 17 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2003, were as follows:

	Principal Outstanding 07/01/02	Additions	Deductions	Principal Outstanding 06/30/03
General Obligation Bonds:				
1986 School Improvement 8.5%	\$1,005,000	\$0	\$125,000	\$880,000
1999 School Improvement 5.6%	2,320,000	0	65,000	2,255,000
Total General Obligation Bonds	<u>3,325,000</u>	<u>0</u>	<u>190,000</u>	<u>3,135,000</u>
Compensated Absences	693,068	74,881	58,823	709,126
Capital Leases	9,097	0	3,233	5,864
Intergovernmental Payable	72,957	78,561	72,957	78,561
Total General Long-Term Obligations	<u>\$4,100,122</u>	<u>\$153,442</u>	<u>\$325,013</u>	<u>\$3,928,551</u>

The 1986 School Improvement bonds were issued in the amount of \$5,320,000 and will be paid from the debt service fund. On May 20, 1999, the School District issued \$2,440,000 in voted general obligation bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with a final maturity at December 1, 2022. The liability for the bonds is recorded in the General Long-Term Obligations Account Group with annual principal and interest requirements retired from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the employee is paid. The School District's overall legal debt margin was \$8,010,023 with an unvoted debt margin of \$77,628 at June 30, 2003.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$190,000	\$198,485	\$388,485
2005	195,000	184,855	379,855
2006	200,000	170,930	370,930
2007	200,000	156,818	356,818
2008	205,000	142,510	347,510
2009-2013	710,000	534,785	1,244,785
2014-2018	610,000	357,188	967,188
2019-2023	825,000	135,155	960,155
	<u>\$3,135,000</u>	<u>\$1,880,726</u>	<u>\$5,015,726</u>

**Chesapeake Union Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*June 30, 2003*

---

**Note 18 – Interfund Activity**

Interfund receivable and payable amounts at June 30, 2003, consist of the following individual balances:

	Interfund Receivable	Interfund Payable
General Fund:	\$10,000	\$0
Special Revenue Fund:		
Drug Free Schools	0	10,000
Total All Funds	\$10,000	\$10,000

**Note 19 - Contractual Commitments**

The School District has entered into several contracts for the design and building of new buildings and renovations to existing buildings in the School District, totaling \$12,528,688. The amount expended on these contracts through June 30, 2003 totaled \$11,761,329. Outstanding construction commitments at June 30, 2003 totaled \$767,359.

**Note 20 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

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

**Note 21 - State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**Chesapeake Union Exempted Village School District**

*Notes to the General Purpose Financial Statements*

*June 30, 2003*

---

**Note 22 - Set-Aside Calculations and Fund Reserves**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for budget stabilization was deleted from law. The bill placed special conditions on any Bureau of Workers' Compensation refunds remaining in the budget reserve.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2002	\$317,475	(\$124,182)
Current Year Set-aside Requirement	151,138	151,138
Offsets	0	(37,146)
Qualifying Disbursements	<u>(20,546)</u>	<u>(194,998)</u>
Totals	<u>\$448,067</u>	<u>(\$205,188)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$448,067</u>	<u>(\$205,188)</u>
Set-aside Reserve Balance as of June 30, 2003	<u>\$448,067</u>	<u>\$0</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amount below zero. The extra amount in the capital improvements set-aside may be used to reduce the set-aside requirement of future years. The total reserve balance set-asides at the end of the fiscal year was \$448,067.

## Chesapeake Union Exempted Village School District

*Notes to the General Purpose Financial Statements*

*June 30, 2003*

---

### **Note 23 – Subsequent Events**

The School District was involved in a law suit that was settled by the School District's liability insurer, Nationwide Insurance Company, on July 31, 2003. The matter has been dismissed with prejudice and stricken from the Court's docket.

On September 23, 2003, the Board of Education approved the following bids for the construction of the new elementary school:

<u>Contractor</u>	<u>Project Description</u>	<u>Contract Amount</u>
Metro Masonry	Masonry	\$ 1,138,384
J & H Reinforcing	Structural Steel	\$ 539,500
J & H Reinforcing	General Trades	\$ 2,203,879
Hattenbach Company	Food Service	\$ 131,100
Cimco, Inc.	Plumbing	\$ 492,000
Mechanical Construction	HVAC	\$ 1,369,500
Central Fire Protection	Fire Protection	\$ 102,717
Dixon Electrical Systems	Electrical	\$ 941,308

On September 25, 2003, the Board of Education approved the amended project agreement for the Ohio School Facilities Commission Classroom Facilities Assistance Program. The amendment increased the project agreement by \$3,529,818.

On October 23, 2003, the Board of Education approved a roofing bid from Stevens Construction in the amount of \$383,000.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Noncash Receipts</u>	<u>Disbursements</u>	<u>Noncash Disbursements</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550		\$53,115		\$53,115
National School Breakfast Program	05-PU03, 05-PU02	10.553	58,427		58,427	
National School Lunch Program	LL-P403, LL-PU02, LL-N402	10.555	174,671		174,671	
Summer Food Service Program for Children	23-PU02	10.559	6,203		6,203	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>239,301</u>	<u>53,115</u>	<u>239,301</u>	<u>53,115</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1s1-2002, C1s1-2003	84.010	404,934		448,410	
Special Education Grants to States	6BSF-2002P, 6BSF-2003P 6BSD-2003P	84.027	180,504		217,039	
Safe and Drug-Free Schools and Communities	DRS1-2002, DRS1-2003	84.186	2,152		15,069	
Eisenhower Professional Development	C2s1-2002	84.281			1,252	
Innovative Education Program Strategies	C2s1-2003	84.298	8,478		7,806	
Education Technology State Grants	TJS1-2003	84.318	11,664		9,665	
Class Size Reduction	CRS1-2002	84.340	(10,418)		8,801	
Assistive Technology Infusion Project Grants	ATs3-2002	84.352A	7,867		7,867	
Improving Teacher Quality	TRS1-2003	84.367	126,037		106,398	
Total Department of Education			<u>731,218</u>	<u>0</u>	<u>822,307</u>	<u>0</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	13,986		13,986	
Total U.S. Department of Health and Human Services			<u>13,986</u>	<u>0</u>	<u>13,986</u>	<u>0</u>
<b>Totals</b>			<b><u>\$984,505</u></b>	<b><u>\$53,115</u></b>	<b><u>\$1,075,594</u></b>	<b><u>\$53,115</u></b>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE A—SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards, Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B—CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C—TRANSFERS BETWEEN GRANT YEARS**

During fiscal year 2003, the grant periods changed to agree with the fiscal year of school districts. The grant periods were changed from a 27 month period ending September 30 to a 12 month period ending June 30. Transfers were made between the 2002 and 2003 grant years for CFDA 84.010 in the amount of \$6,247.04 and for CFDA 84.186 in the amount of \$900.47.

**NOTE D—TRANSFERS BETWEEN GRANTS**

During fiscal year 2003, the grant program with CFDA 84.340 was eliminated and a new grant program with CFDA 84.367 was created. The following transfer was made between CFDA numbers:

From:	To:	Amount:
CFDA 84.340	CFDA 84.367	\$10,417.61



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 31, 2003. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 31, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 31, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 31, 2003





**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003.

### **Internal Control over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 31, 2003.

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



**Betty Montgomery**  
Auditor of State

December 31, 2003

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Grants to States – CFDA #84.027 Improving Teacher Quality – CFDA #84.367
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT  
LAWRENCE COUNTY

SCHEDULE OF FINDINGS  
*OMB CIRCULAR A -133 §.505*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

**FINDING NUMBER 2003-001**

**Material Noncompliance**

**Ohio Rev. Code Section 135.18 (specific collateral)** requires the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

At June 30, 2003, there was \$221,633 that was uncollateralized.

We recommend the School Treasurer contact City National Bank to obtain adequate security equal to the funds on deposit at all times.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The Treasurer will contact the bank to obtain adequate securities.	6/30/04	Carol Kilgore, Treasurer

**This Page is Intentionally Left Blank.**



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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 10, 2004**