



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 1999. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the accompanying general purpose financial statements, during the year ended June 30, 1999, the School District changed its method of accounting and financial reporting for its Internal Revenue Code Section 457 Deferred Compensation Plans.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 7, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards, receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, 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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

January 7, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,187,856	\$283,763	\$807,094	\$2,903,999
Receivables:				
Property Taxes	1,390,591	0	251,409	0
Accounts	0	0	0	0
Intergovernmental	0	0	0	0
Interfund	20,977	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	11,898	0	0	0
Prepaid Items	6,387	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	105,901	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$2,723,610</u>	<u>\$283,763</u>	<u>\$1,058,503</u>	<u>\$2,903,999</u>

The notes to the general purpose financial statements are an integral part of this statement

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$110,027	\$173,684	\$14,614	\$0	\$0	\$5,481,037
0	0	0	0	0	1,642,000
52	0	0	0	0	52
1,338	0	0	0	0	1,338
0	0	0	0	0	20,977
19,695	0	0	0	0	19,695
2,055	0	0	0	0	13,953
0	0	0	0	0	6,387
0	0	0	0	0	105,901
115,420	0	0	13,618,948	0	13,734,368
0	0	0	0	827,370	827,370
0	0	0	0	3,845,649	3,845,649
\$248,587	\$173,684	\$14,614	\$13,618,948	\$4,673,019	\$25,698,727

(Continued)

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$35,008	\$3,496	\$0	\$0
Accrued Wages and Benefits Payable	660,720	92,846	0	0
Compensated Absences Payable	11,401	284	0	0
Interfund Payable	0	0	0	20,977
Intergovernmental Payable	114,084	40,001	0	0
Deferred Revenue	1,265,804	0	231,133	0
Due to Students	0	0	0	0
Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	2,087,017	136,627	231,133	20,977
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	105,547	66,080	0	35,173
Reserved for Inventory	11,898	0	0	0
Reserved for Capital Improvements	9,929	0	0	0
Reserved for Property Taxes	124,787	0	20,276	0
Reserved for Budget Stabilization	87,049	0	0	0
Reserved for Textbooks	68,335	0	0	0
Unreserved, Undesignated	229,048	81,056	807,094	2,847,849
Total Fund Equity and Other Credits	636,593	147,136	827,370	2,883,022
Total Liabilities, Fund Equity and Other Credits	\$2,723,610	\$283,763	\$1,058,503	\$2,903,999

The notes to the general purpose financial statements are an integral part of this statement

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$5,750	\$0	\$0	\$0	\$0	\$44,254
12,391	0	0	0	0	765,957
12,706	0	0	0	782,574	806,965
0	0	0	0	0	20,977
12,991	0	0	0	70,445	237,521
16,799	0	0	0	0	1,513,736
0	0	14,614	0	0	14,614
0	0	0	0	2,440,000	2,440,000
0	0	0	0	1,380,000	1,380,000
<u>60,637</u>	<u>0</u>	<u>14,614</u>	<u>0</u>	<u>4,673,019</u>	<u>7,224,024</u>
0	0	0	13,618,948	0	13,618,948
262,629	0	0	0	0	262,629
(74,679)	173,684	0	0	0	99,005
0	0	0	0	0	206,800
0	0	0	0	0	11,898
0	0	0	0	0	9,929
0	0	0	0	0	145,063
0	0	0	0	0	87,049
0	0	0	0	0	68,335
0	0	0	0	0	3,965,047
<u>187,950</u>	<u>173,684</u>	<u>0</u>	<u>13,618,948</u>	<u>0</u>	<u>18,474,703</u>
<u>\$248,587</u>	<u>\$173,684</u>	<u>\$14,614</u>	<u>\$13,618,948</u>	<u>\$4,673,019</u>	<u>\$25,698,727</u>

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$1,315,022	\$36,150	\$210,667	\$0	\$1,561,839
Intergovernmental	5,461,754	970,238	25,021	257,057	6,714,070
Interest	100,476	0	0	13,646	114,122
Tuition and Fees	11,254	0	0	0	11,254
Rent	100	0	0	0	100
Extracurricular Activities	0	82,430	0	0	82,430
Gifts and Donations	0	509	0	0	509
Miscellaneous	26,832	13,557	0	0	40,389
Total Revenues	6,915,438	1,102,884	235,688	270,703	8,524,713
Expenditures:					
Current:					
Instruction					
Regular	2,921,576	458,424	0	93,528	3,473,528
Special	649,175	434,924	0	0	1,084,099
Vocational	25,565	0	0	0	25,565
Other	119,544	0	0	0	119,544
Support Services					
Pupils	372,184	41,926	0	0	414,110
Instructional Staff	292,967	125,944	0	69	418,980
Board of Education	22,552	0	0	0	22,552
Administration	640,248	9,280	0	0	649,528
Fiscal	196,409	0	0	0	196,409
Operation and Maintenance of Plant	661,455	0	0	0	661,455
Pupil Transportation	410,365	5,874	0	0	416,239
Central	11,269	52,018	0	0	63,287
Extracurricular Activities	168,996	52,544	0	0	221,540
Capital Outlay	14,777	1,533	0	187,018	203,328
Debt Service					
Principal Retirement	0	0	125,000	0	125,000
Interest and Fiscal Charges	0	0	122,613	0	122,613
Total Expenditures	6,507,082	1,182,467	247,613	280,615	8,217,777
Excess of Revenues Over (Under) Expenditures	408,356	(79,583)	(11,925)	(9,912)	306,936
Other Financing Sources (Uses):					
Operating Transfers In	0	0	0	36,000	36,000
Proceeds from the Sale of Notes	0	0	0	2,440,000	2,440,000
Operating Transfers Out	(36,000)	0	0	0	(36,000)
Total Other Financing Sources (Uses)	(36,000)	0	0	2,476,000	2,440,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	372,356	(79,583)	(11,925)	2,466,088	2,746,936
Fund Balances at Beginning of Year - Restated (Note 3)	277,716	226,719	839,295	416,934	1,760,664
Decrease in Reserve for Inventory	(13,479)	0	0	0	(13,479)
Fund Balances at End of Year	\$636,593	\$147,136	\$827,370	\$2,883,022	\$4,494,121

The notes to the general purpose financial statements are an integral part of this statement

**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, 1999**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$1,233,659	\$1,233,659	\$0
Intergovernmental	5,461,754	5,461,754	0
Interest	100,476	100,476	0
Tuition and Fees	11,254	11,254	0
Rent	100	100	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	26,832	26,832	0
Total Revenues	6,834,075	6,834,075	0
Expenditures:			
Current:			
Instruction			
Regular	2,895,037	2,895,037	0
Special	639,388	639,388	0
Vocational	32,109	32,109	0
Other	118,628	118,628	0
Support Services			
Pupils	360,669	360,669	0
Instructional Staff	284,617	284,617	0
Board of Education	21,796	21,796	0
Administration	612,461	612,461	0
Fiscal	196,577	196,577	0
Operation and Maintenance of Plant	660,142	660,142	0
Pupil Transportation	494,050	494,050	0
Central	11,292	11,292	0
Extracurricular Activities	152,109	152,109	0
Capital Outlay	30,849	30,849	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	6,509,724	6,509,724	0
Excess of Revenues Over (Under) Expenditures	324,351	324,351	0
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Proceeds from Sale of Notes	0	0	0
Advances In	0	0	0
Operating Transfers Out	(36,000)	(36,000)	0
Advances Out	(20,977)	(20,977)	0
Total Other Financing Sources (Uses)	(56,977)	(56,977)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	267,374	267,374	0
Fund Balances at Beginning of Year	834,619	834,619	0
Prior Year Encumbrances Appropriated	72,461	72,461	0
Fund Balances at End of Year	\$1,174,454	\$1,174,454	\$0

(Continued)

The notes to the general purpose financial statements are an integral part of this statement

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$36,150	\$36,150	\$0	\$197,447	\$197,447	\$0
970,238	970,238	0	25,021	25,021	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
82,430	82,430	0	0	0	0
509	509	0	0	0	0
13,557	13,557	0	0	0	0
<u>1,102,884</u>	<u>1,102,884</u>	<u>0</u>	<u>222,468</u>	<u>222,468</u>	<u>0</u>
499,711	499,711	0	0	0	0
428,036	428,036	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
35,199	35,199	0	0	0	0
127,776	127,776	0	0	0	0
0	0	0	0	0	0
9,234	9,234	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
5,947	5,947	0	0	0	0
55,786	55,786	0	0	0	0
54,259	54,259	0	0	0	0
1,533	1,533	0	0	0	0
0	0	0	125,000	125,000	0
0	0	0	122,613	122,613	0
<u>1,217,481</u>	<u>1,217,481</u>	<u>0</u>	<u>247,613</u>	<u>247,613</u>	<u>0</u>
<u>(114,597)</u>	<u>(114,597)</u>	<u>0</u>	<u>(25,145)</u>	<u>(25,145)</u>	<u>0</u>
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
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(114,597)	(114,597)	0	(25,145)	(25,145)	0
293,689	293,689	0	832,239	832,239	0
30,804	30,804	0	0	0	0
<u>\$209,896</u>	<u>\$209,896</u>	<u>\$0</u>	<u>\$807,094</u>	<u>\$807,094</u>	<u>\$0</u>

**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, 1999
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property and Other Local Taxes	\$0	\$0	\$0
Intergovernmental	257,057	257,057	0
Interest	3,808	13,646	9,838
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	0	0	0
Total Revenues	260,865	270,703	9,838
Expenditures:			
Current:			
Instruction			
Regular	128,702	128,702	0
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services			
Pupils	0	0	0
Instructional Staff	69	69	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	187,018	187,018	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	315,789	315,789	0
Excess of Revenues Over (Under) Expenditures	<u>(54,924)</u>	<u>(45,086)</u>	<u>9,838</u>
Other Financing Sources (Uses):			
Operating Transfers In	36,000	36,000	0
Proceeds from Sale of Notes	2,440,000	2,440,000	0
Advances In	20,977	20,977	0
Operating Transfers Out	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	2,496,977	2,496,977	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,442,053	2,451,891	9,838
Fund Balances at Beginning of Year	416,904	416,904	0
Prior Year Encumbrances Appropriated	30	30	0
Fund Balances at End of Year	<u>\$2,858,987</u>	<u>\$2,868,825</u>	<u>\$9,838</u>

(Continued)

The notes to the general purpose financial statements are an integral part of this statement

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,467,256	\$1,467,256	\$0
6,714,070	6,714,070	0
104,284	114,122	9,838
11,254	11,254	0
100	100	0
82,430	82,430	0
509	509	0
40,389	40,389	0
<u>8,420,292</u>	<u>8,430,130</u>	<u>9,838</u>
3,523,450	3,523,450	0
1,067,424	1,067,424	0
32,109	32,109	0
118,628	118,628	0
395,868	395,868	0
412,462	412,462	0
21,796	21,796	0
621,695	621,695	0
196,577	196,577	0
660,142	660,142	0
499,997	499,997	0
67,078	67,078	0
206,368	206,368	0
219,400	219,400	0
125,000	125,000	0
122,613	122,613	0
<u>8,290,607</u>	<u>8,290,607</u>	<u>0</u>
<u>129,685</u>	<u>139,523</u>	<u>9,838</u>
36,000	36,000	0
2,440,000	2,440,000	0
20,977	20,977	0
(36,000)	(36,000)	0
(20,977)	(20,977)	0
<u>2,440,000</u>	<u>2,440,000</u>	<u>0</u>
2,569,685	2,579,523	9,838
2,377,451	2,377,451	0
<u>103,295</u>	<u>103,295</u>	<u>0</u>
<u>5,050,431</u>	<u>5,060,269</u>	<u>\$9,838</u>

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**STATEMENT OF REVENUES
EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Sales	\$145,307	0	\$145,307
Total Operating Revenues	<u>145,307</u>	<u>0</u>	<u>145,307</u>
Operating Expenses:			
Salaries	141,547	0	141,547
Fringe Benefits	31,311	0	31,311
Purchased Services	2,514	0	2,514
Materials and Supplies	17,716	0	17,716
Cost of Sales	180,534	0	180,534
Depreciation	14,243	0	14,243
Total Operating Expenses	<u>387,865</u>	<u>0</u>	<u>387,865</u>
Operating Loss	<u>(242,558)</u>	<u>0</u>	<u>(242,558)</u>
Non-Operating Revenues:			
Federal Donated Commodities	26,513	0	26,513
Federal and State Subsidies	212,855	0	212,855
Total Non-Operating Revenues	<u>239,368</u>	<u>0</u>	<u>239,368</u>
Net Loss	(3,190)	0	(3,190)
Retained Earnings at Beginning of Year	<u>(71,489)</u>	<u>173,684</u>	<u>102,195</u>
Retained Earnings at End of Year	(74,679)	173,684	99,005
Contributed Capital at Beginning and End of Year	<u>262,629</u>	<u>0</u>	<u>262,629</u>
Total Fund Equity at End of Year	<u>\$187,950</u>	<u>173,684</u>	<u>\$361,634</u>

The notes to the general purpose financial statements are an integral part of this statement

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$145,255	\$145,255	\$0
Federal and State Subsidies	211,517	211,517	0
Total Revenues	356,772	356,772	0
Expenses:			
Salaries	113,217	113,217	0
Fringe Benefits	45,056	45,056	0
Purchased Services	2,514	2,514	0
Materials and Supplies	177,256	177,256	0
Capital Outlay	2,597	2,597	0
Total Expenses	340,640	340,640	0
Excess of Revenues Over Expenses	16,132	16,132	0
Fund Equity at Beginning of Year	87,580	87,580	0
Prior Year Encumbrances Appropriated	565	565	0
Fund Equity at End of Year	\$104,277	\$104,277	\$0

The notes to the general purpose financial statements are an integral part of this statement

Internal Service Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$145,255	\$145,255	\$0
0	0	0	211,517	211,517	0
0	0	0	356,772	356,772	0
0	0	0	113,217	113,217	0
0	0	0	45,056	45,056	0
0	0	0	2,514	2,514	0
0	0	0	177,256	177,256	0
0	0	0	2,597	2,597	0
0	0	0	340,640	340,640	0
0	0	0	16,132	16,132	0
173,684	173,684	0	261,264	261,264	0
0	0	0	565	565	0
\$173,684	\$173,684	\$0	\$277,961	\$277,961	\$0

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**STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$145,255	\$0	\$145,255
Cash Payments to Suppliers for Goods and Services	(174,020)	0	(174,020)
Cash Payments for Employee Services and Benefits	(158,273)	0	(158,273)
Net Cash Used for Operating Activities	<u>(187,038)</u>	<u>0</u>	<u>(187,038)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	<u>211,517</u>	<u>0</u>	<u>211,517</u>
Cash Flows from Capital and Related Financing Activities:			
Payments for Capital Acquisitions	<u>(2,597)</u>	<u>0</u>	<u>(2,597)</u>
Net Increase in Cash and Cash Equivalents	21,882	0	21,882
Cash and Cash Equivalents at Beginning of Year	<u>88,145</u>	<u>173,684</u>	<u>261,829</u>
Cash and Cash Equivalents at End of Year	<u>\$110,027</u>	<u>\$173,684</u>	<u>\$283,711</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	<u>(\$242,558)</u>	<u>\$0</u>	<u>(\$242,558)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	14,243	0	14,243
Donated Commodities Used During Year	26,513	0	26,513
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(52)	0	(52)
Increase in Inventory Held for Resale	(164)	0	(164)
Decrease in Materials and Supplies Inventory	396	0	396
Increase in Accrued Wages and Benefits Payable	4,288	0	4,288
Increase in Compensated Absences Payable	11,050	0	11,050
Decrease in Intergovernmental Payable	(754)	0	(754)
Total Adjustments	<u>55,520</u>	<u>0</u>	<u>55,520</u>
Net Cash Used for Operating Activities	<u>(\$187,038)</u>	<u>\$0</u>	<u>(\$187,038)</u>

The notes to the general purpose financial statements are an integral part of this statement

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's five instructional/support facilities staffed by 61 noncertified employees, 93 certificated full time teaching personnel and 11 administrators who provide services to 1,340 students and other community members.

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Data

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

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.

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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

During fiscal year 1999, investments were limited to STAR Ohio and overnight repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

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 1999 amounted to \$100,476, which includes \$85,217 assigned from other School District funds.

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, 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 three hundred dollars. The School District does not possess any infrastructure.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

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

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

State Foundation Program
School Bus Purchase

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

General Fund

Safe Boating Grant

Special Revenue Funds

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

Capital Projects Funds

School Net
School Net Plus
Emergency Repair Grant
ADA Handicapped Grant

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Breakfast Program
National School Lunch Program
Government Donated Commodities

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

Grants and entitlements received in governmental funds amounted to seventy-nine percent of governmental fund revenue during the 1999 fiscal year.

I. Short-term Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables/payables."

J. 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 15 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.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. 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.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

M. Fund Balance Reserves

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

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

N. Contributed Capital

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

O. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

P. 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.

Q. Total Columns on General Purpose Financial Statements

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

Note 3 - Change in Accounting Principles

For 1999, the School District implemented GASB Statement No. 32, "Deferred Compensation Plans". This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established such a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

Inventory was overstated in the District Managed Activity Special Revenue Fund by \$109,204. This caused a restatement of Fund Balance at June 30, 1998 from \$335,923 to \$226,719.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

Note 4 - Accountability and Compliance

Fund Deficits

The following funds had deficit fund balances at June 30, 1999:

	Deficit Fund Balance/ Retained Earnings
Special Revenue Funds:	
Disadvantaged Pupil Impact Aid	\$46,121
Title VI-B	15,823
Title I	62,251
Capital Projects Fund:	
Emergency School Building Repair	20,977
Enterprise Fund:	
Food Service Fund	74,679

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

Note 5 - Budgetary Basis of Accounting

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

5. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$284,456	\$8,317	(\$11,925)	\$2,466,088
Revenue Accruals	(81,363)	0	(13,220)	0
Advances In	0	0	0	20,977
Prepaid Items	(6,388)	0	0	0
Expenditure Accruals	123,049	38,853	0	0
Advances Out	(20,977)	0	0	0
Encumbrances	(119,303)	(73,867)	0	(35,174)
Budget Basis	<u>\$179,474</u>	<u>(\$26,697)</u>	<u>(\$25,145)</u>	<u>\$2,451,891</u>

Net Loss/Excess of Revenues
Over Expenses
Proprietary Fund Type

	<u>Enterprise</u>
GAAP Basis	(\$3,190)
Revenue Accruals	(27,904)
Expense Accruals	38,733
Depreciation Expense	14,243
Encumbrances	(5,750)
Budget Basis	<u>\$16,132</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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

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

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

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

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

Deposits At year end, the carrying amount of the School District's deposits was \$18,367 and the bank balance was \$50,000. The entire bank balance was covered by federal depository insurance.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

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. STAR Ohio is an unclassified investments since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Unclassified	Carrying and Fair Value
STAR Ohio	\$0	\$2,703,838	\$2,703,838
Repurchase Agreements	2,864,733	0	2,864,733
Total			\$5,568,571

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	\$5,586,938	\$0
STAR Ohio	(2,703,838)	2,703,838
Repurchase Agreements	(2,864,733)	2,864,733
GASB Statement 3	\$18,367	\$5,568,571

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 and public utility property, and tangible personal (used in business) property located in the School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Real and public utility property taxes are payable annually and 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, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and the rates determined in the preceding year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

Tangible personal property used in business (except public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility taxes are payable on the same dates as real property taxes described previously.

The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$44,225,180	72.22%	\$58,737,230	77.56%
Public Utility Personal Tangible Personal Property	15,998,980	26.12	15,723,470	20.76
	1,015,660	1.66	1,267,200	1.68
Total	\$61,239,820	100.00%	\$75,727,900	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$25.00		 \$24.75	

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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$145,063 and is recognized as revenue. \$124,787 was available to the General Fund and \$20,276 was available to the Debt Service Fund. At June 30, 1998, the amount available as an advance was \$43,424 to the General Fund and \$8,684.

Note 8 - Receivables

Receivables at June 30, 1999, consisted of taxes, accounts (rent and tuition), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Enterprise Fund:	
Food Service- Grant	\$1,338

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

Note 9 - Fixed Assets

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$315,455
Less: accumulated depreciation	<u>(200,035)</u>
Net Fixed Assets	<u><u>\$115,420</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Land and Improvements	\$97,032	\$0	\$0	\$97,032
Buildings and Improvements	9,073,881	0	0	9,073,881
Textbooks	851,767	33,801	0	885,568
Vehicles	655,461	55,753	26,394	684,820
Furniture and Equipment	2,577,060	300,587	0	2,877,647
Total General Fixed Assets	<u><u>\$13,255,201</u></u>	<u><u>\$390,141</u></u>	<u><u>\$26,394</u></u>	<u><u>\$13,618,948</u></u>

There was no significant construction in progress at June 30, 1999.

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 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 an annual fee of \$2.00 per student to participating districts and State funding. Chesapeake Union Exempted Village School District paid \$2,778 for services provided during fiscal year 1999. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 1999, the School District contracted with Nationwide Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$1,000 deductible.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was 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, 1999, 1998, and 1997 were \$61,200, \$131,220 and \$126,714, respectively; 34.97 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$39,801 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$223,520, \$542,028 and \$526,500, respectively; 82.75 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$38,565 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

Note 13 - Postemployment Benefits

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

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, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$298,027 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$74,914.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 14 - Other Employee Benefits

A. *Compensated Absences*

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

B. *Health Care Benefits*

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

Health insurance is provided by Medical Benefits Company. Premiums for this coverage are \$440.04 for family coverage and \$189.54 for single coverage. The School District pays 76% of the family coverage premium and 76% of the single coverage premium. Dental insurance is provided by CoreSource, Inc.. Premiums for this coverage are \$42.75 for both single and family coverage. The School District pays 100%

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

of the premium. Vision insurance is provided by Vision Service Plan. Premiums for this coverage are \$15.62 for both single and family coverage. The School District pays 100% of the premium.

C. Deferred Compensation

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

GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" provides accounting guidelines for deferred compensation plans. The School District participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 1999, were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Obligation Bonds:				
1986 School Improvement 8.50%	\$1,505,000	\$0	\$125,000	\$1,380,000
Bond Anticipation Note 6.00%	0	2,440,000	0	2,440,000
Compensated Absences	99,594	692,897	9,917	782,574
Intergovernmental Payable	64,248	70,445	64,248	70,445
Total General Long-Term Obligations	<u>\$1,668,842</u>	<u>\$3,203,342</u>	<u>\$199,165</u>	<u>\$4,673,019</u>

The general obligation bonds were issued in the amount of \$2,880,000 and will be paid 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 person is paid. The School District's overall legal debt margin was \$10,632,381 with an unvoted debt margin of \$124,278 at June 30, 1999. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$125,000	\$111,988	\$236,988
2001	125,000	101,363	226,363
2002	125,000	90,738	215,738
2003	125,000	80,113	205,113
2004	125,000	69,488	194,488
2005-2009	625,000	188,065	813,065
2010-2014	130,000	5,525	135,525
	<u>\$1,380,000</u>	<u>\$647,280</u>	<u>\$2,027,280</u>

On May 20, 1999, Chesapeake Union Exempted Village School District issued a \$2,440,000 bond anticipation note for the purpose of construction and repair of school buildings. The six month note will be retired from the debt service fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

Note 16- Interfund Receivables/Payables

Interfund receivables and payables at June 30, 1999, consist of the following individual balances:

	Interfund Receivable	Interfund Payable
General Fund	\$20,977	\$0
Emergency Repair Capital Projects Fund	0	20,977
Total All Funds	<u>\$20,977</u>	<u>\$20,977</u>

Note 17- Year 2000

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations.

The Chesapeake Union Exempted Village School District is completing an inventory of computer and other equipment necessary to conduct School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting. The School District has five school buildings with power, heating and air conditioning systems which have extensive efficiency utilization measures within the systems.

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and payroll and employee benefits. The State is responsible for remediating this system.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

The School District currently is assessing the changes needed in the power, heating and air conditioning systems. Systems may have to be remediated, and tested and validated.

In the continuing effort to assess all computer equipment, other areas may be found (clock systems, fire alarm systems, vocational equipment, etc.) and, if so, changes will be made in those systems. We anticipate that all costs will be handled through departmental or building appropriations.

To the best of management's knowledge and belief, as of January 7, 2000, the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the year 2000 Issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.

Note 18 - 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, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

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 19 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$4,465,170 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

Note 20 - Set-Aside Calculations and Fund Reserves

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$43,107	\$43,107
Current Year Set-aside Requirement	87,884	87,884	43,942	219,710
Current Offsets	(19,549)	0	0	(19,549)
Qualifying Disbursements	0	(77,955)	0	(77,955)
Total	<u>\$68,335</u>	<u>\$9,929</u>	<u>\$87,049</u>	<u>\$165,313</u>
Cash Balance Carried Forward to FY 2000	<u>\$68,335</u>	<u>\$9,929</u>	<u>\$87,049</u>	<u>\$165,313</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

Note 21 - Subsequent Event

The \$2,440,000 bond anticipation note was paid off on November 20, 1999 with the proceeds of a general obligation bond issuance of \$2,440,000.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Federal Grantor <i>Pass-Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	NNN1-99	10.550	0	24,636	0	26,514
National School Lunch Program	O4PU-99	10.555	<u>195,760</u>	<u>0</u>	<u>195,760</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>195,760</u>	<u>24,636</u>	<u>195,760</u>	<u>26,514</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Educationally Deprived Children-Local Educational Agencies Title I	C1S1-99	84.010	367,696	0	454,981	0
Handicapped-State Grants (Part B, Education of the Handicapped Grant	6BSF-99	84.027	79,992	0	81,947	0
Drug Free Schools and Communities Grant	DRS1-99	84.186	7,480	0	4,731	0
Tech Literacy Challenge Fund	TFS1-99	84.276	167,500	0	137,299	0
Eisenhower Professional Development State Grant	MSS1-99	84.281	0	0	1,636	0
Innovative Education Strategy Program Title VI	C2S1-99	84.298	<u>5,201</u>	<u>0</u>	<u>5,793</u>	<u>0</u>
Total U.S. Department of Education			<u>627,869</u>	<u>0</u>	<u>686,387</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$823,629</u>	<u>\$24,636</u>	<u>\$882,147</u>	<u>\$26,514</u>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had food commodities valued at \$7,461 in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUON 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 financial statements of Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 7, 2000, wherein we noted that the School District had changed its method of accounting for deferred compensation. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Chesapeake Union Exempted Village 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated January 7, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chesapeake Union Exempted Village School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated January 7, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

JIM PETRO
Auditor of State

January 7, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

Compliance

We have audited the compliance of Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of Chesapeake Union Exempted Village 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 the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

January 7, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

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

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

The audit of Chesapeake Union Exempted Village School District, Lawrence County, for the year ended June 30, 1999, contained no findings that are required to be reported in accordance with GAGAS.

3. FINDINGS FOR FEDERAL AWARDS

The audit of Chesapeake Union Exempted Village School District, Lawrence County, for the year ended June 30, 1999, contained no findings for federal awards.



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CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 24, 2000**