



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Chesapeake Union Exempted Village School District, Lawrence County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2003, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

March 27, 2003

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CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<u>Assets and Other Debits:</u>					
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$835,800	\$475,078	\$921,160	\$5,673,849	\$101,869
Cash and Cash Equivalents in Segregated Accounts	0	0	0	239,697	0
Receivables:					
Accounts	451	0	0	0	0
Property Taxes	1,504,959	35,116	466,760	0	0
Intergovernmental	17,552	82,697	0	4,159,857	2,603
Inventory Held for Resale	0	0	0	0	13,965
Materials and Supplies Inventory	5,155	0	0	0	2,840
Prepaid Items	11,848	0	0	0	122
Restricted Assets:					
Cash and Cash Equivalents	412,075	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	101,577
<u>Other Debits:</u>					
Amount Available in Debt Service Fund	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0
Total Assets and Other Debits	<u>\$2,787,840</u>	<u>\$592,891</u>	<u>\$1,387,920</u>	<u>\$10,073,403</u>	<u>\$222,976</u>

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

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$8,597	\$0	\$0	\$8,016,353
0	0	0	239,697
0	0	0	451
0	0	0	2,006,835
0	0	0	4,262,709
0	0	0	13,965
0	0	0	7,995
0	0	0	11,970
0	0	0	412,075
0	22,668,289	0	22,769,866
0	0	927,386	927,386
0	0	3,172,736	3,172,736
<u>\$8,597</u>	<u>\$22,668,289</u>	<u>\$4,100,122</u>	<u>\$41,842,038</u>

(Continued)

CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002
(Continued)

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<u>Liabilities, Fund Equity and Other Credits:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$17,130	\$357	\$0	\$0	\$5,787
Contracts Payable	0	0	0	448,427	0
Accrued Wages and Benefits Payable	681,940	104,827	0	0	15,643
Compensated Absences Payable	5,237	0	0	0	16,690
Retainage Payable	0	0	0	239,697	0
Intergovernmental Payable	148,974	17,377	0	0	16,714
Deferred Revenue	1,498,247	96,515	460,534	4,159,857	0
Due to Students	0	0	0	0	0
Capital Leases Payable	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0
Total Liabilities	2,351,528	219,076	460,534	4,847,981	54,834
<u>Fund Equity and Other Credits:</u>					
Investment in General Fixed Assets	0	0	0	0	0
Contributed Capital	0	0	0	0	262,629
Retained Earnings:					
Unreserved (Deficit)	0	0	0	0	(94,487)
Fund Balance:					
Reserved for Encumbrances	48,036	9,265	0	1,294,445	0
Reserved for Inventory	5,155	0	0	0	0
Reserved for Textbooks	317,475	0	0	0	0
Reserved for Property Taxes	19,888	460	6,226	0	0
Reserved for Bus Purchases	94,600	0	0	0	0
Reserved for Unclaimed Monies	3,005	0	0	0	0
Unreserved:					
Undesignated (Deficit)	(51,847)	364,090	921,160	3,930,977	0
Total Fund Equity and Other Credits	436,312	373,815	927,386	5,225,422	168,142
Total Liabilities, Fund Equity and Other Credits	\$2,787,840	\$592,891	\$1,387,920	\$10,073,403	\$222,976

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

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
	\$0	\$0	\$0
	0	0	0
	0	0	0
	0	0	693,068
	0	0	0
	0	0	72,957
	0	0	0
	0	0	6,215,153
8,597	0	0	8,597
0	0	9,097	9,097
0	0	3,325,000	3,325,000
<u>8,597</u>	<u>0</u>	<u>4,100,122</u>	<u>12,042,672</u>
0	22,668,289	0	22,668,289
0	0	0	262,629
0	0	0	(94,487)
0	0	0	1,351,746
0	0	0	5,155
0	0	0	317,475
0	0	0	26,574
0	0	0	94,600
0	0	0	3,005
0	0	0	5,164,380
0	22,668,289	0	29,799,366
<u>\$8,597</u>	<u>\$22,668,289</u>	<u>\$4,100,122</u>	<u>\$41,842,038</u>

CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$1,383,034	\$32,814	\$425,990	\$0	\$1,841,838
Intergovernmental	6,252,509	1,322,691	55,665	2,991,874	10,622,739
Interest	110,704	0	0	382,680	493,384
Tuition and Fees	2,973	0	0	0	2,973
Gifts and Donations	2,300	2,327	0	0	4,627
Extracurricular Activities	0	90,602	0	0	90,602
Miscellaneous	93,522	13,659	0	0	107,181
Total Revenues	7,845,042	1,462,093	481,655	3,374,554	13,163,344
<u>Expenditures:</u>					
Current:					
Instruction					
Regular	3,546,016	582,237	0	0	4,128,253
Special	619,558	429,134	0	0	1,048,692
Vocational	4,631	0	0	0	4,631
Support Services					
Pupils	409,811	55,251	0	0	465,062
Instructional Staff	278,730	191,045	0	0	469,775
Board of Education	43,359	0	0	0	43,359
Administration	712,444	11,443	0	0	723,887
Fiscal	229,621	924	11,988	0	242,533
Operation and Maintenance of Plant	757,257	1,571	0	0	758,828
Pupil Transportation	494,852	8,884	0	0	503,736
Central	57,887	46,596	0	0	104,483
Extracurricular Activities	204,859	54,426	0	0	259,285
Capital Outlay	26,187	0	0	7,405,494	7,431,681
Debt Service					
Principal Retirement	2,852	0	185,000	0	187,852
Interest and Fiscal Charges	792	0	225,158	0	225,950
Total Expenditures	7,388,856	1,381,511	422,146	7,405,494	16,598,007
Excess of Revenues Over (Under) Expenditures	456,186	80,582	59,509	(4,030,940)	(3,434,663)
<u>Other Financing Sources (Uses):</u>					
Proceeds from the Sale of Fixed Assets	2,564	0	0	0	2,564
Inception of Capital Leases	11,949	0	0	0	11,949
Operating Transfers In	0	1,351	0	173,684	175,035
Operating Transfers Out	(175,035)	0	0	0	(175,035)
Total Other Financing Sources (Uses)	(160,522)	1,351	0	173,684	14,513
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	295,664	81,933	59,509	(3,857,256)	(3,420,150)
Fund Balance (Deficit) at Beginning of Year	(17,135)	291,882	867,877	9,082,678	10,225,302
Residual Equity Transfers In	173,684	0	0	0	173,684
Decrease in Reserve for Inventory	(15,901)	0	0	0	(15,901)
Fund Balance at End of Year	\$436,312	\$373,815	\$927,386	\$5,225,422	\$6,962,935

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

CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Property Taxes	\$1,385,729	\$1,385,729	\$0
Intergovernmental	6,248,318	6,248,318	0
Interest	109,407	109,407	0
Tuition and Fees	3,152	3,152	0
Gifts and Donations	2,300	2,300	0
Extracurricular Activities	0	0	0
Miscellaneous	92,886	92,886	0
Total Revenues	7,841,792	7,841,792	0
<u>Expenditures:</u>			
Current:			
Instruction			
Regular	3,473,058	3,473,058	0
Special	615,584	615,584	0
Vocational	4,631	4,631	0
Other	87,001	87,001	0
Support Services:			
Pupils	412,289	412,289	0
Instructional Staff	281,740	281,740	0
Board of Education	43,341	43,341	0
Administration	720,512	720,512	0
Fiscal	235,907	235,907	0
Operation and Maintenance of Plant	806,855	806,855	0
Pupil Transportation	551,977	551,977	0
Central	54,387	54,387	0
Extracurricular Activities	210,253	210,253	0
Capital Outlay	20,614	20,614	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	7,518,149	7,518,149	0
Excess of Revenues Over (Under) Expenditures	323,643	323,643	0
<u>Other Financing Sources (Uses):</u>			
Proceeds from the Sale of Fixed Assets	2,564	2,564	0
Operating Transfers In	173,684	173,684	0
Operating Transfers Out	(175,035)	(175,035)	0
Total Other Financing Sources (Uses)	1,213	1,213	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	324,856	324,856	0
Fund Balance at Beginning of Year	739,215	739,215	0
Prior Year Encumbrance Appropriated	57,578	57,578	0
Fund Balance at End of Year	\$1,121,649	\$1,121,649	\$0

(Continued)

CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002
(Continued)

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$32,910	\$32,910	\$0
Intergovernmental	1,352,906	1,352,906	0
Interest	0	0	0
Tuition and Fees	0	0	0
Gifts and Donations	2,327	2,327	0
Extracurricular Activities	90,602	90,602	0
Miscellaneous	13,659	13,659	0
Total Revenues	1,492,404	1,492,404	0
<u>Expenditures:</u>			
Current:			
Instruction			
Regular	596,909	596,909	0
Special	434,311	434,311	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupils	56,033	56,033	0
Instructional Staff	191,238	191,238	0
Board of Education	0	0	0
Administration	11,425	11,425	0
Fiscal	924	924	0
Operation and Maintenance of Plant	1,571	1,571	0
Pupil Transportation	8,837	8,837	0
Central	51,335	51,335	0
Extracurricular Activities	60,668	60,668	0
Capital Outlay	0	0	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	1,413,251	1,413,251	0
Excess of Revenues Over (Under) Expenditures	79,153	79,153	0
<u>Other Financing Sources (Uses):</u>			
Proceeds from the Sale of Fixed Assets	0	0	0
Operating Transfers In	1,351	1,351	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	1,351	1,351	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	80,504	80,504	0
Fund Balance at Beginning of Year	356,664	356,664	0
Prior Year Encumbrance Appropriated	28,288	28,288	0
Fund Balance at End of Year	\$465,456	\$465,456	\$0

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$426,729	\$426,729	\$0	\$0	\$0	\$0
55,664	55,664	0	2,991,874	2,991,874	0
0	0	0	378,603	378,603	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
482,393	482,393	0	3,370,477	3,370,477	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
11,988	11,988	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	9,090,772	9,090,772	0
185,000	185,000	0	0	0	0
225,158	225,158	0	0	0	0
422,146	422,146	0	9,090,772	9,090,772	0
60,247	60,247	0	(5,720,295)	(5,720,295)	0
0	0	0	0	0	0
0	0	0	173,684	173,684	0
0	0	0	0	0	0
0	0	0	173,684	173,684	0
60,247	60,247	0	(5,546,611)	(5,546,611)	0
860,913	860,913	0	1,684,468	1,684,468	0
0	0	0	8,032,634	8,032,634	0
\$921,160	\$921,160	\$0	\$4,170,491	\$4,170,491	\$0

(Continued)

CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002
(Continued)

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$1,845,368	\$1,845,368	\$0
Intergovernmental	10,648,762	10,648,762	0
Interest	488,010	488,010	0
Tuition and Fees	3,152	3,152	0
Rent	4,627	4,627	0
Extracurricular Activities	90,602	90,602	0
Miscellaneous	106,545	106,545	0
Total Revenues	13,187,066	13,187,066	0
<u>Expenditures:</u>			
Current:			
Instruction			
Regular	4,069,967	4,069,967	0
Special	1,049,895	1,049,895	0
Vocational	4,631	4,631	0
Other	87,001	87,001	0
Support Services:			
Pupils	468,322	468,322	0
Instructional Staff	472,978	472,978	0
Board of Education	43,341	43,341	0
Administration	731,937	731,937	0
Fiscal	248,819	248,819	0
Operation and Maintenance of Plant	808,426	808,426	0
Pupil Transportation	560,814	560,814	0
Central	105,722	105,722	0
Extracurricular Activities	270,921	270,921	0
Capital Outlay	9,111,386	9,111,386	0
Debt Service:			
Principal Retirement	185,000	185,000	0
Interest and Fiscal Charges	225,158	225,158	0
Total Expenditures	18,444,318	18,444,318	0
Excess of Revenues Over (Under) Expenditures	(5,257,252)	(5,257,252)	0
<u>Other Financing Sources (Uses):</u>			
Proceeds from the Sale of Fixed Assets	2,564	2,564	0
Operating Transfers In	348,719	348,719	0
Operating Transfers Out	(175,035)	(175,035)	0
Total Other Financing Sources (Uses)	176,248	176,248	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,081,004)	(5,081,004)	0
Fund Balance at Beginning of Year	3,641,260	3,641,260	0
Prior Year Encumbrance Appropriated	8,118,500	8,118,500	0
Fund Balance at End of Year	\$6,678,756	\$6,678,756	\$0

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

CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues:</u>			
Sales	\$122,633	\$0	\$122,633
Total Operating Revenues	122,633	0	122,633
<u>Operating Expenses:</u>			
Salaries	163,723	0	163,723
Fringe Benefits	43,544	0	43,544
Materials and Supplies	37,977	0	37,977
Cost of Sales	181,264	0	181,264
Depreciation	12,050	0	12,050
Total Operating Expenses	438,558	0	438,558
Operating Loss	(315,925)	0	(315,925)
<u>Non-Operating Revenues:</u>			
Federal Donated Commodities	45,161	0	45,161
Interest	4,307	0	4,307
Federal and State Subsidies	223,072	0	223,072
Total Non-Operating Revenues	272,540	0	272,540
Net Loss	(43,385)	0	(43,385)
Residual Equity Transfers Out	0	(173,684)	(173,684)
Retained Earnings (Deficit) at Beginning of Year	(51,102)	173,684	122,582
Retained Earnings (Deficit) at End of Year	(94,487)	0	(94,487)
Contributed Capital at Beginning and End of Year	262,629	0	262,629
Total Fund Equity at End of Year	\$168,142	\$0	\$168,142

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

CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

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, 2002

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$122,633	\$122,633	\$0
Interest	4,436	4,436	0
Federal and State Subsidies	229,111	229,111	0
Total Revenues	356,180	356,180	0
<u>Expenses:</u>			
Salaries	151,964	151,964	0
Fringe Benefits	50,441	50,441	0
Purchased Services	3,837	3,837	0
Materials and Supplies	185,937	185,937	0
Total Expenses	392,179	392,179	0
Excess of Revenues Under Expenses	(35,999)	(35,999)	0
Residual Equity Transfers Out	0	0	0
Excess of Revenues Under Expenses and Transfers	(35,999)	(35,999)	0
Fund Equity at Beginning of Year	131,088	131,088	0
Fund Equity at End of Year	\$95,089	\$95,089	\$0

The notes to the general purpose financial statement 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	\$122,633	\$122,633	\$0
0	0	0	4,436	4,436	0
0	0	0	229,111	229,111	0
0	0	0	356,180	356,180	0
0	0	0	151,964	151,964	0
0	0	0	50,441	50,441	0
0	0	0	3,837	3,837	0
0	0	0	185,937	185,937	0
0	0	0	392,179	392,179	0
0	0	0	(35,999)	(35,999)	0
(173,684)	(173,684)	0	(173,684)	(173,684)	0
(173,684)	(173,684)	0	(209,683)	(209,683)	0
173,684	173,684	0	304,772	304,772	0
\$0	\$0	\$0	\$95,089	\$95,089	\$0

CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT
LAWRENCE COUNTY, OHIO

Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Types		
	Enterprise	Internal Service	(Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$122,633	\$0	\$122,633
Cash Payments to Suppliers for Goods and Services	(183,344)	0	(183,344)
Cash Payments for Employee Services and Benefits	(202,405)	0	(202,405)
Net Cash Used for Operating Activities	(263,116)	0	(263,116)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	229,111	0	229,111
Residual Equity Transfers Out	0	(173,684)	(173,684)
Net Cash Provided by Noncapital Financing Activities	229,111	(173,684)	55,427
<u>Cash Flows from Investing Activities:</u>			
Interest on Investments	4,307	0	4,307
Net Decrease in Cash and Cash Equivalents	(29,698)	(173,684)	(203,382)
Cash and Cash Equivalents at Beginning of Year	131,567	173,684	305,251
Cash and Cash Equivalents at End of Year	\$101,869	\$0	\$101,869
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	(\$315,925)	\$0	(\$315,925)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	12,050	0	12,050
Donated Commodities Used During Year	34,212	0	34,212
Changes in Assets and Liabilities:			
Increase in Inventory Held for Resale	(90)	0	(90)
Increase in Materials and Supplies Inventory	(108)	0	(108)
Decrease in Prepaid Items	67	0	67
Increase in Accounts Payable	1,307	0	1,307
Increase in Accrued Wages and Benefits Payable	1,168	0	1,168
Increase in Compensated Absences	1,386	0	1,386
Increase in Intergovernmental Payable	2,817	0	2,817
Total Adjustments	52,809	0	52,809
Net Cash Used for Operating Activities	(\$263,116)	\$0	(\$263,116)

Noncash noncapital financing activities:
During Fiscal year 2002, the food service enterprise fund received \$45,161 in federal donated commodities.

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

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's five instructional/support facilities staffed by 70 noncertified employees, 95 certificated full time teaching personnel and 11 administrators who provide services to 1,280 students and other community members.

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

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

The School District is associated with three organizations which are defined as jointly governed organizations. These organizations are presented in Note 9 to the general purpose financial statements. These organizations are the Lawrence County Joint Vocational School District, Pilasco-Ross Special Education Regional Resource Center and the South Central Ohio Computer Association.

The School District is associated with two organizations which are defined as insurance purchasing pools, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Lawrence County Schools Insurance Purchasing Consortium. Information about these organizations is presented in Note 10 to the combined financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

A. Basis of Presentation - Fund Accounting

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

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

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

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

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

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

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

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

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

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

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

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. The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (Note 6) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

C. Budgetary Data

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

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

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

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

year if projected increases or decreases in revenue are identified by the School District Treasurer. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

The amounts reported in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time final appropriations were passed by the Board of Education.

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 special cost center level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. Total expenditures and encumbrances may not exceed the appropriation totals at any level of control. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures plus encumbrances.

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

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

D. Cash and Cash Equivalents

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

During fiscal year 2002, investments were limited to overnight repurchase agreements which are reported at cost.

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 2002 amounted to \$110,704, which includes \$74,120 assigned from other School District funds.

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

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

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

H. 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

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the school district's termination policy. The School District records a liability for accumulated unused sick leave for employees after 10 years of service.

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

I. Accrued Liabilities and Long-Term Obligations

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

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

J. Interfund Transactions

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

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

K. Fund Balance Reserves

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

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

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

L. Contributed Capital

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

After fiscal year 2000, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital, based on new guidelines established by GASB Statement 33, "Accounting and Reporting for Nonexchange Transactions." There was no change in contributed capital during the fiscal year.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for school bus purchases and money required by statute to be set-aside for the purchase of textbooks. See Note 20 for additional information regarding set-asides.

N. Estimates

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

O. 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 - Accountability and Compliance

A. Fund Deficits

The following funds had deficit fund balances at June 30, 2002:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Disadvantaged Pupil Impact Aid	\$44,174
Ohio Reads	11
Miscellaneous Federal Grants	10,106

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

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

B. Legal Compliance

The following funds had appropriations exceeding the estimated revenue contrary to Ohio Revised Code Section 5705.39:

During the year, the following funds had appropriations exceeding the estimated revenue: the Public School Special Revenue Fund (018) exceeded by \$31,519 or 34%, Athletic Fund (300) exceeded by \$56,078 or 65%, DPIA Fund (447) exceeded by \$191,946 or 32%, Ohio Reads Fund (459) exceeded by \$17,000 or 100% and Title VI-B Fund (516) exceeded by \$128,162 or 89%.

Note 4 - 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).

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

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$295,664	\$81,933	\$59,509	(\$3,857,256)
Revenue Accruals	(1,950)	30,311	738	(4,284)
Unrecorded Cash at Beginning of Year	9,356	0	0	390
Unrecorded Cash at End of Year	(10,656)	0	0	(183)
Residual Equity Transfers	173,684	0	0	0
Prepaid Items	(11,848)	0	0	0
Expenditure Accruals	(13,824)	(22,118)	0	57,594
Encumbrances	(115,570)	(9,622)	0	(1,742,872)
Budget Basis	<u>\$324,856</u>	<u>\$80,504</u>	<u>\$60,247</u>	<u>(\$5,546,611)</u>

Net Income/Excess of Revenues
Over Expenses
All Proprietary Fund Types

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	(\$43,385)	\$0
Revenue Accruals	(39,122)	0
Unrecorded Cash at Beginning of Year	479	0
Unrecorded Cash at End of Year	(350)	0
Residual Equity Transfers	0	(173,684)
Prepaid Items	(67)	0
Expense Accruals	40,826	0
Encumbrances	(6,430)	0
Depreciation	12,050	0
Budget Basis	<u>(\$35,999)</u>	<u>(\$173,684)</u>

Note 5 - Deposits and Investments

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

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

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

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.

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

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

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

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,

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

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."

Cash on Hand At fiscal year end, the School District had \$11,189 in undeposited cash on hand which is included on the Balance Sheet of the School District as part of "Cash and Cash Equivalents."

Deposits At year end, the carrying amount of the School District's deposits was \$8,210 and the bank balance was \$161,748. \$100,000 of the bank balance was covered by federal depository insurance and \$61,748 was uncollateralized and uninsured.

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

	Category 3	Carrying and Fair Value
Repurchase Agreements	\$8,648,726	\$8,648,726

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	\$8,668,125	\$0
Repurchase Agreements	(8,648,726)	(8,648,726)
Unrecorded Cash	(11,189)	0
GASB Statement 3	<u>\$8,210</u>	<u>(\$8,648,726)</u>

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar year 2002 for real and public utility personal property taxes represent collections of calendar 2001 taxes. Property tax payments received during calendar year 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by state law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2002 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$58,375,220	77%	\$64,130,040	85%
Public Utility Personal	14,882,580	20%	8,982,950	12%
Tangible Personal Property	2,198,690	3%	2,456,240	3%
Total	<u>\$75,456,490</u>	<u>100%</u>	<u>\$75,569,230</u>	<u>100%</u>
Tax Rate per \$1,000 of assessed valuation		\$27.76		\$27.76

The School District receives property taxes from Lawrence County. The Lawrence County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 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, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current fiscal year operations. The amount available as an advance at June 30, 2002, was \$26,574 and is recognized as revenue. \$19,888 was available to the General Fund, \$6,226 was available to the Debt Service Fund, and \$460 was available to the Classroom Facilities Special Revenue Fund.

Note 7 - Receivables

Receivables at June 30, 2002, consisted of taxes, accounts (rent and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes,

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

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	<u>Amounts</u>
General Fund:	
Community Alternative Funding System	\$17,367
Workers' Compensation Refund	<u>185</u>
Total General Fund	<u>17,552</u>
Special Revenue Funds:	
Title VI-B	1,440
Title I	20,838
Class Size Reduction	<u>60,419</u>
Total Special Revenue Funds	<u>82,697</u>
Capital Projects Fund:	
Classroom Facilities	<u>4,159,857</u>
Enterprise Fund:	
Food Service	<u>2,603</u>
Total All Funds	<u><u>\$4,262,709</u></u>

The School District was awarded \$16,265,325 for renovations and construction of school buildings within the School District under the State's "Classroom Facilities Program." Under this program, the School District entered into an agreement with the State of Ohio in which the State grants pay for a portion of the estimated project costs. As of the end of fiscal year 2002, the School District had received \$12,105,468 of the amount awarded under this program. The remaining amount of \$4,159,857 is recorded as a receivable and a deferred revenue on the balance sheet.

Note 8 - Fixed Assets

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$280,491
Less: accumulated depreciation	<u>(178,914)</u>
Net Fixed Assets	<u><u>\$101,577</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	<u>Balance</u>			<u>Balance</u>
	06/30/01	Additions	Deletions	06/30/02
Land and Improvements	\$97,032	\$0	\$0	\$97,032
Buildings and Improvements	9,090,658	14,898	0	9,105,556
Textbooks	907,133	0	0	907,133
Vehicles	795,890	39,900	54,214	781,576
Furniture and Equipment	2,971,994	126,229	752	3,097,471
Construction in Progress	1,831,423	6,848,098	0	8,679,521
Total General Fixed Assets	<u>\$15,694,130</u>	<u>\$7,029,125</u>	<u>\$54,966</u>	<u>\$22,668,289</u>

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

Note 9 - Jointly Governed Organizations

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

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

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross CTC, Shawnee State University, and Pike Ross Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Chesapeake Union Exempted Village School District's superintendent is currently on the SERRC Board. The fiscal agent for the SERRC is Dawson-Bryant LSD. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45663.

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from State funding and an annual fee of \$4.00 per student charged to participating districts. Chesapeake Union Exempted Village School District paid \$5,120 for services provided during fiscal year 2002. 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 10 - Insurance Purchasing Pools

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

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

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

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 2002, 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.

The School District contracted with Nationwide Insurance for builder's risk insurance. There is a \$1,000 deductible with a \$100,000 project limit for the construction of the Middle School and the renovations to the High School.

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

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool (Note 10). The intent of the consortium is to achieve the benefit of a reduced health insurance premium for the School District by virtue of its grouping and representation with other participants in the consortium. Each participant pays its health insurance premium to the insurance provider. Participation in the consortium is limited to school districts that can meet the criteria outlined in the consortium's operating articles. The firm of Cross and Associates provides administrative services to the consortium.

Note 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

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

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; 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$68,213, \$35,977, and \$47,267, respectively; 47.66 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$35,703 representing the unpaid contribution for fiscal year 2002, 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, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$427,790, \$466,492, and \$268,170, respectively; 81.7 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$78,277 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

Note 13 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$202,637 for fiscal year 2002.

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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 2002, 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 2002 fiscal year equaled \$128,194.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 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 benefits 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. Certified and classified employees, except bus drivers, may accumulate a maximum of 270 days of sick leave. Bus drivers may accumulate a maximum of 230 days of sick leave. Upon retirement, payment is made for one-fourth of the total sick leave accumulated.

B. Life Insurance and Health Care Benefits

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

Health insurance is provided by Medical Mutual Insurance Company. Premiums for this coverage are \$711.34 for family coverage and \$288.26 for single coverage. The School District pays 80% of both family and single coverage premium. Dental insurance is provided by CoreSource, Inc. Premiums for this coverage are \$49.00 for both single and family coverage. The School District pays 100% of the premium. Vision insurance is provided by Vision Service Plan. Premiums for this coverage are \$18.12 for both single and family coverage. The School District pays 100% of the premium.

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

Note 15 – Capital Leases – Lessee Disclosure

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

Fiscal Year Ending June 30,	General Long-Term Obligations
2003	\$3,843
2004	3,843
2005	1,192
2006	1,192
2007	199
Total minimum lease payments	10,269
Less: amount representing interest	(1,172)
Present value of minimum lease payments	<u>\$9,097</u>

Note 16 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2002, were as follows:

	Principal Outstanding 06/01/01	Additions	Deductions	Principal Outstanding 06/30/02
General Obligation Bonds:				
1986 School Improvement 8.5%	\$1,130,000	\$0	\$125,000	\$1,005,000
1999 School Improvement 5.6%	2,380,000	0	60,000	2,320,000
Total General Obligation Bonds	<u>3,510,000</u>	<u>0</u>	<u>185,000</u>	<u>3,325,000</u>
Compensated Absences	877,278	57,816	242,026	693,068
Capital Leases	0	11,949	2,852	9,097
Intergovernmental Payable	69,788	72,957	69,788	72,957
Total General Long-Term Obligations	<u>\$4,457,066</u>	<u>\$142,722</u>	<u>\$499,666</u>	<u>\$4,100,122</u>

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

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

the employee is paid. The School District's overall legal debt margin was \$7,728,617 with an unvoted debt margin of \$3,400,569 at June 30, 2002.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$190,000	\$211,921	\$401,921
2004	190,000	198,485	388,485
2005	195,000	184,855	379,855
2006	200,000	170,930	370,930
2007	200,000	156,818	356,818
2008-2012	815,000	584,480	1,399,480
2013-2017	575,000	394,219	969,219
2018-2022	775,000	185,156	960,156
2023	185,000	5,781	190,781
	<u>\$3,325,000</u>	<u>\$2,092,645</u>	<u>\$5,417,645</u>

Note 17 - Contractual Commitments

The School District has entered into several contracts for the design and building of new buildings and renovations to existing buildings in the School District, totaling \$11,811,551. The amount expended on these contracts through June 30, 2002 totaled \$10,009,995. Outstanding construction commitments at June 30, 2002 totaled \$1,801,556.

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, 2002.

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

Chesapeake Union Exempted Village School District

Notes to the General Purpose Financial Statements

June 30, 2002

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

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. These amounts must be carried forward to be used for the same purposes in future years. Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for budget stabilization was deleted from law. The bill placed special conditions on any Bureau of Workers' Compensation refunds remaining in the budget reserve.

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

	Budget		Capital
	Stabilization	Textbooks	Acquisition
Set-aside Reserve Balance as of June 30, 2001	\$66,861	\$224,153	(\$45,014)
Prior Period Adjustment	(\$66,861)	\$0	\$0
Restated Set-aside Balance as of June 30, 2001	\$0	\$224,153	(\$45,014)
Current Year Set-aside Requirement	0	147,046	147,046
Offsets	0	0	(32,898)
Qualifying Disbursements	0	(53,724)	(193,316)
Totals	<u>\$0</u>	<u>\$317,475</u>	<u>(\$124,182)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$317,475</u>	<u>(\$124,182)</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$0</u>	<u>\$317,475</u>	<u>\$0</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amount below zero. The extra amount in the capital improvements set-aside may be used to reduce the set-aside requirement of future years. The total reserve balance for textbook set-asides at the end of the fiscal year was \$317,475.

Note 21 – Subsequent Event

On October 21, 2002, the Board of Education approved a resolution awarding a contract for a new elementary school to Colvin Gravel Company in the amount of \$106,750.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS, AND EXPENDITURES
FOR THE FISCAL YEAR JUNE 30, 2002**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$34,702	\$0	\$34,576
National School Breakfast Program	05PU-01/02	10.553	50,785	0	50,785	0
National School Lunch Program	LLP4-01/02	10.555	150,783	0	150,783	0
Summer Food Service Program for Children	23/24PU-2001	10.559	8,176	0	8,176	0
Total Nutrition Cluster			<u>209,744</u>	<u>34,702</u>	<u>209,744</u>	<u>34,576</u>
Total U.S. Department of Agriculture			209,744	34,702	209,744	34,576
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Program	C1S1 01/02	84.010	498,266	0	462,112	0
Education of Handicapped - Title VI-B	6BSF 2001	84.027	128,162	0	93,912	0
Drug Free Schools Program	DRS1 2002	84.186	5,376	0	6,865	0
Goals 2000 - State and Local Education Systematic Improvement Grants	G2SP 2001	84.276	3,000	0	3,000	0
Eisenhower Professional Development Grant	MSS1-01/02	84.281	14,007	0	17,607	0
Innovative Education Program - Title VI	C2S1 2002	84.298	9,589	0	9,589	0
Class Size Reduction Grant	CRS1-01/02	84.340	71,663	0	80,617	0
Total U.S. Department of Education			730,063	0	673,702	0
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program -Title XIX	N/A	93.778	18,479	0	18,479	0
Total U.S. Department of Health and Human Services			<u>18,479</u>	<u>0</u>	<u>18,479</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$958,286</u>	<u>\$34,702</u>	<u>\$901,925</u>	<u>\$34,576</u>

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

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the School District had food commodities valued at \$10,585.

NOTE C - MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated March 27, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-10744-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated March 27, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of 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 management of the School District in a separate letter dated March 27, 2003.

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

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

Betty Montgomery
Auditor of State

March 27, 2003



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. 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 are the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operations that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated March 27, 2003.

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.



Betty Montgomery
Auditor of State

March 27, 2003

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Program – CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

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

FINDING NUMBER 2002-10744-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

During the year, the following funds had appropriations exceeding the estimated revenue: the Public School Special Revenue Fund (018) exceeded by \$31,519 or 34%, Athletic Fund (300) exceeded by \$56,078 or 65%, DPIA Fund (447) exceeded by \$191,946 or 32%, Ohio Reads Fund (459) exceeded by \$17,000 or 100% and Title VI-B Fund (516) exceeded by \$128,162 or 89%.

We recommend that the School District only appropriate up to the estimated resources plus unencumbered balances.

3. FINDINGS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-10744-001	Ohio Rev. Code Section 5705.41(B) – expenditures exceeded appropriations	No	Partially corrected. Immaterial variances were noted. Noncompliance citation was included in the management letter.

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
FOR THE YEAR ENDED JUNE 30, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-10744-001	The Treasurer will monitor the appropriations and estimated resources.	June 30, 2003	Carol Kilgore, Treasurer



**Auditor of State
Betty Montgomery**

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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
APRIL 15, 2003**