

Chesapeake Union Exempted Village School District  
Lawrence County  
Single Audit  
For the Fiscal Year Ended June 30, 2016



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# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Chesapeake Union Exempted Village School District, Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

March 3, 2017

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**Chesapeake Union Exempted Village School District**  
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For the Fiscal Year Ended June 30, 2016

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**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chesapeake Union Exempted Village School District, Lawrence County, Ohio, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the School District's Proportionate Share of the Net Pension Liability, and the Schedule of School District Contributions on pages 4 through 11 and 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



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

December 16, 2016

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Chesapeake Union Exempted Village School District's (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- The School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$1,141,014.
- The School District's net position of governmental activities increased \$245,688.
- General revenues accounted for \$10,795,875 in revenue or 72 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants accounted for \$4,189,177 or 28 percent of total revenues of \$14,985,052.
- The School District had \$14,739,364 in expenses related to governmental activities; \$4,189,177 of these expenses was offset by program specific charges for services and sale, operating grants and contributions and capital grants.

**USING THIS ANNUAL FINANCIAL REPORT**

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

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

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

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

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

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

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

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

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

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

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

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

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

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

**THE SCHOOL DISTRICT AS A WHOLE**

As stated previously, the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015.

Table 1  
Net Position  
Governmental Activities

|   | 2016         | 2015         |
|---|--------------|--------------|
| Assets:   |              |              |
| Current and Other Assets                              | \$ 7,461,664 | \$ 7,877,040 |
| Capital Assets, Net                                   | 19,892,955   | 20,351,481   |
| Total Assets  | 27,354,619   | 28,228,521   |
| Deferred Outflows of Resources:                       |              |              |
| Pensions  | 1,808,398    | 1,245,909    |
| Unamortized Deferred Amount on Refunding              | 57,524       | 68,034       |
| Total Deferred Outflows of Resources                  | 1,865,922    | 1,313,943    |
| Liabilities:  |              |              |
| Current and Other Liabilities                         | 1,409,432    | 2,014,606    |
| Long-Term Liabilities:                                |              |              |
| Due Within One Year                                   | 412,214      | 429,295      |
| Due in More than One Year:                            |              |              |
| Net Pension Liabilities                               | 16,839,457   | 15,239,306   |
| Other Amounts   | 5,506,015    | 5,849,548    |
| Total Liabilities                                     | 24,167,118   | 23,532,755   |
| Deferred Inflows of Resources                         |              |              |
| Pensions  | 1,701,153    | 2,897,808    |
| Property Taxes not Levied to Finance the Current Year | 2,211,256    | 2,216,575    |
| Total Deferred Inflows of Resources                   | 3,912,409    | 5,114,383    |
| Net Position:   |              |              |
| Net Investment in Capital Assets                      | 14,635,145   | 15,325,309   |
| Restricted  | 1,206,248    | 1,195,592    |
| Unrestricted  | (14,700,379) | (15,625,575) |
| Total Net Position                                    | \$ 1,141,014 | \$ 895,326   |

Many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
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*(Unaudited)*

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GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan’s *change* in net pension liability not accounted for as deferred inflows/outflows.

Total net position of the School District as a whole increased in the amount of \$245,688. Current and other assets decreased due to several factors. Cash decreased mainly due to expenditures related to the House Bill 264 project, which had unexpended cash balances at June 30, 2015 that were spent in fiscal year 2016. Increases in intergovernmental receivables and taxes receivable partially offset the increases. Deferred inflows of resources decreased primarily due to changes in the net pension liability. Capital assets decreased primarily due to current year depreciation, which was partially offset by additions. Current and other liabilities decreased primarily due a decrease in contracts payable. Long-term liabilities increased primarily to the due to an increase in the net pension liability which was partially offset by principal payments on other long term debts.

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
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(Unaudited)

Table 2 shows the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

| Table 2<br>Change in Net Position<br>Governmental Activities |  | 2016         | 2015         |
|--|--|--------------|--------------|
| Revenues   |  |              |              |
| Program Revenues:  |  |              |              |
| Charges for Services and Sales                               |  | \$ 1,394,996 | \$ 1,376,016 |
| Operating Grants and Contributions                           |  | 2,696,738    | 2,448,543    |
| Capital Grants   |  | 97,443       | 9,362        |
| Total Program Revenues                                       |  | 4,189,177    | 3,833,921    |
| General Revenues:  |  |              |              |
| Grants and Entitlements, Not Restricted to Specific Programs |  | 8,166,417    | 7,898,759    |
| Gifts and Donations, Not Restricted to Specific Programs     |  | 49,135       | 24,635       |
| Investment Earnings  |  | 1,169        | 1,127        |
| Miscellaneous  |  | 125,003      | 118,195      |
| Insurance Recoveries   |  | 2,253        | -            |
| Gain on Sale of Capital Asset                                |  | -            | 1,000        |
| Property Taxes   |  | 2,451,898    | 2,407,698    |
| Total General Revenues                                       |  | 10,795,875   | 10,451,414   |
| Total Revenues   |  | 14,985,052   | 14,285,335   |
| Program Expenses   |  |              |              |
| Instruction  |  |              |              |
| Regular  |  | 6,940,807    | 7,121,854    |
| Special  |  | 1,359,065    | 1,309,261    |
| Other  |  | 67,279       | 70,529       |
| Support Services   |  |              |              |
| Pupils   |  | 601,426      | 565,806      |
| Instructional Staff  |  | 791,749      | 575,969      |
| Board of Education   |  | 85,823       | 66,428       |
| Administration   |  | 1,028,712    | 1,018,292    |
| Fiscal   |  | 368,257      | 353,414      |
| Operation and Maintenance of Plant                           |  | 1,156,398    | 1,076,609    |
| Pupil Transportation   |  | 761,066      | 717,012      |
| Central  |  | 416,212      | 417,020      |
| Operation of Non-Instructional Services                      |  | 469,035      | 504,068      |
| Extracurricular Activities                                   |  | 468,567      | 443,546      |
| Interest and Fiscal Charges                                  |  | 224,968      | 216,237      |
| Total Expenses   |  | 14,739,364   | 14,456,045   |
| Increase (Decrease) in Net Position                          |  | 245,688      | (170,710)    |
| Net Position at Beginning of Year                            |  | 895,326      | 1,066,036    |
| Net Position at End of Year                                  |  | \$ 1,141,014 | \$ 895,326   |

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

Operating grants and contributions increased due to increases in 21<sup>st</sup> Century grant funding in fiscal year 2016. Grants and entitlements not restricted to specific programs increased due to increases in foundation funding. Instructional staff expenses increased due to increased funding in the 21<sup>st</sup> Century grant which was paid to the Educational Service Center.

**Governmental Activities**

Charges for services and sales comprised 9 percent of revenue for governmental activities, while operating grants and contributions comprised 18 percent of revenue for governmental activities of the School District for fiscal year 2016. Unrestricted grants and entitlements and property taxes made up 54 percent and 16 percent, respectively, of total revenues.

As indicated by governmental program expenses, instruction is emphasized. Regular instruction comprised 47 percent of governmental program expenses with special instruction comprising 9 percent of governmental expenses. Administration and operation and maintenance of plant support services also comprise a significant portion of total expenses, each of them accounting for 7 and 8 percent respectively, of total expenses.

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

Table 3  
Governmental Activities

|  | Total Cost<br>of Services<br><u>2016</u> | Net Cost<br>of Services<br><u>2016</u> | Total Cost<br>of Services<br><u>2015</u> | Net Cost<br>of Services<br><u>2015</u> |
|--|--|--|--|--|
| Program Expenses                               |  |  |  |  |
| Instruction:                                   |  |  |  |  |
| Regular  | \$6,940,807                              | \$6,161,116                            | \$7,121,854                              | \$6,298,702                            |
| Special  | 1,359,065                                | (88,524)                               | 1,309,261                                | (44,310)                               |
| Other  | 67,279                                   | 52,710                                 | 70,529                                   | 47,364                                 |
| Support Services:                              |  |  |  |  |
| Pupils   | 601,426                                  | 413,396                                | 565,806                                  | 305,352                                |
| Instructional Staff                            | 791,749                                  | 303,346                                | 575,969                                  | 309,705                                |
| Board of Education                             | 85,823                                   | 77,733                                 | 66,428                                   | 59,976                                 |
| Administration                                 | 1,028,712                                | 916,766                                | 1,018,292                                | 906,686                                |
| Fiscal   | 368,257                                  | 328,340                                | 353,414                                  | 314,249                                |
| Operation and Maintenance of Plant             | 1,156,398                                | 939,523                                | 1,076,609                                | 918,823                                |
| Pupil Transportation                           | 761,066                                  | 674,135                                | 717,012                                  | 629,930                                |
| Central  | 416,212                                  | 343,810                                | 417,020                                  | 344,078                                |
| Operation of Non-Instructional Services        | 469,035                                  | (88,842)                               | 504,068                                  | 31,380                                 |
| Extracurricular Activities                     | 468,567                                  | 299,926                                | 443,546                                  | 288,823                                |
| Interest and Fiscal Charges and Issuance Costs | 224,968                                  | 216,752                                | 216,237                                  | 211,366                                |
| <b>Total</b>                                   | <b><u>\$14,739,364</u></b>               | <b><u>\$10,550,187</u></b>             | <b><u>\$14,456,045</u></b>               | <b><u>\$10,622,124</u></b>             |

**THE SCHOOL DISTRICT'S FUNDS**

The governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$15,051,019 and expenditures and other financing uses of \$14,857,073.

**Chesapeake Union Exempted Village School District**  
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*(Unaudited)*

The fund balance of the General Fund increased \$790,452. This increase was due to total revenues exceeding expenditures. Intergovernmental revenues increased \$256,477, while tuition and fees revenues increased \$10,214 from the prior year while expenditures increased \$98,299 overall from the prior year. The fund balance of the Bond Retirement Fund decreased in the amount of \$50,108 primarily due to principal and interest costs exceeding tax and intergovernmental revenues.

**General Fund Budgeting Highlights**

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

During 2016, there were several revisions to the General Fund budget. In part, these revisions increased estimated resources by \$265,178 and decreased appropriations by \$76,907. The increase in estimated resources was due to increases in tuition and fees revenue and intergovernmental revenue. The decrease in estimated appropriations is due to decreases in estimated expenses for regular instruction. The Treasurer has been given the authority by the Board of Education to make line item adjustments within the budget. The General Fund's ending unobligated cash balance was \$2,805,243.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2016, the School District had \$19,892,955 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and textbooks. Table 4 shows the fiscal year 2016 balances compared to 2015.

Table 4  
 Capital Assets  
 (Net of Depreciation)

|                            | Governmental Activities |              |
|----------------------------|-------------------------|--------------|
|                            | 2016                    | 2015         |
| Land                       | \$257,668               | \$257,668    |
| Construction in Progress   | 0                       | 469,065      |
| Land Improvements          | 3,094,303               | 3,283,364    |
| Buildings and Improvements | 16,300,404              | 16,067,906   |
| Furniture and Equipment    | 181,352                 | 175,304      |
| Vehicles                   | 59,228                  | 95,905       |
| Textbooks                  | 0                       | 2,269        |
| Totals                     | \$19,892,955            | \$20,351,481 |

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

**Chesapeake Union Exempted Village School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

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**Debt**

At June 30, 2016, the School District had two outstanding General Obligation Bond issuances in the net amount of \$2,064,179 including accretion and premium. The 2006 bonds were issued to refund \$2,045,000 of outstanding 1999 School Improvement General Obligation Bonds. In June 2015, the District issued \$1,074,750 in bonds in order to finance a School Energy Performance Contract. The District has one capital lease obligation for an HVAC system. As of June 30, 2016, the outstanding balance of the lease was \$926,000. At June 30, 2016, the School District had Certificates of Participation outstanding in the amount of \$2,475,000. See Notes 12 and 13 to the basic financial statements for more detailed information relating to debt.

**Current Economic Issues**

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

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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

**Chesapeake Union Exempted Village School District**  
*Statement of Net Position*  
*As of June 30, 2016*

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS:</b>   |                            |
| Current Assets:  |                            |
| Equity in Pooled Cash and Cash Equivalents                   | \$ 4,479,416               |
| Intergovernmental Receivable                                 | 118,069                    |
| Taxes Receivable   | 2,808,837                  |
| Noncurrent Assets:   |                            |
| Restricted Assets:   |                            |
| Equity in Pooled Cash and Cash Equivalents                   | 55,342                     |
| Non-Depreciable Capital Assets                               | 257,668                    |
| Depreciable Capital Assets, net                              | 19,635,287                 |
| <i>Total Assets</i>  | 27,354,619                 |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                       |                            |
| Pensions:  |                            |
| State Teachers Retirement System                             | 1,385,751                  |
| School Employees Retirement System                           | 422,647                    |
| Unamortized Deferred Amount on Refunding                     | 57,524                     |
| <i>Total Deferred Outflows of Resources</i>                  | 1,865,922                  |
| <b>LIABILITIES:</b>  |                            |
| Current Liabilities:   |                            |
| Accounts Payable   | 42,788                     |
| Accrued Wages and Benefits                                   | 1,083,414                  |
| Contracts Payable  | 38,557                     |
| Intergovernmental Payable                                    | 180,515                    |
| Retainage Payable  | 55,342                     |
| Accrued Interest Payable                                     | 8,816                      |
| Noncurrent Liabilities:                                      |                            |
| Long-Term Liabilities:                                       |                            |
| Due Within One Year  | 412,214                    |
| Due in More Than One Year                                    |                            |
| Net Pension Liability (See Note 9)                           | 16,839,457                 |
| Other Amounts Due in More Than One Year                      | 5,506,015                  |
| <i>Total Liabilities</i>                                     | 24,167,118                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                         |                            |
| Pensions:  |                            |
| State Teachers Retirement System                             | 1,626,133                  |
| School Employees Retirement System                           | 75,020                     |
| Property Taxes not Levied to Finance Current Year Operations | 2,211,256                  |
| <i>Total Deferred Inflows of Resources</i>                   | 3,912,409                  |
| <b>NET POSITION:</b>   |                            |
| Net Investment in Capital Assets                             | 14,635,145                 |
| Restricted for Debt Service                                  | 552,125                    |
| Restricted for Capital Outlay                                | 246,535                    |
| Restricted for Classroom Facilities Maintenance              | 407,588                    |
| Unrestricted (Deficit)                                       | (14,700,379)               |
| <i>Total Net Position</i>                                    | \$ 1,141,014               |

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

**Chesapeake Union Exempted Village School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

|  | Program Revenues     |                                   |                                       | Governmental<br>Activities | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--|----------------------|-----------------------------------|---------------------------------------|----------------------------|--|
|  | Expenses             | Charges for Services<br>and Sales | Operating Grants<br>and Contributions |                            |  |
| <b>Governmental Activities:</b>                              |                      |                                   |                                       |                            |  |
| <b>Instruction:</b>  |                      |                                   |                                       |                            |  |
| Regular  | \$ 6,940,807         | \$ 654,038                        | \$ 125,653                            | -                          | \$ (6,161,116)   |
| Special  | 1,359,065            | 92,429                            | 1,355,160                             | -                          | 88,524   |
| Other  | 67,279               | 6,662                             | 7,907                                 | -                          | (52,710)   |
| <b>Support Services:</b>                                     |                      |                                   |                                       |                            |  |
| Pupils   | 601,426              | 47,549                            | 140,481                               | -                          | (413,396)  |
| Instructional Staff  | 791,749              | 23,591                            | 464,812                               | -                          | (303,346)  |
| Board of Education   | 85,823               | 8,090                             | -                                     | -                          | (77,733)   |
| Administration   | 1,028,712            | 111,946                           | -                                     | -                          | (916,766)  |
| Fiscal   | 368,257              | 38,821                            | 1,096                                 | -                          | (328,340)  |
| Operation and Maintenance of Plant                           | 1,156,398            | 103,068                           | 113,807                               | -                          | (939,523)  |
| Pupil Transportation   | 761,066              | 77,901                            | 9,030                                 | -                          | (674,135)  |
| Central  | 416,212              | 41,477                            | 30,925                                | -                          | (343,810)  |
| Operation of Non-Instructional Services                      | 469,035              | 76,213                            | 384,221                               | 97,443                     | 88,842   |
| Extracurricular Activities                                   | 468,567              | 104,995                           | 63,646                                | -                          | (299,926)  |
| Interest and Fiscal Charges                                  | 224,968              | 8,216                             | -                                     | -                          | (216,752)  |
| <b>Total Governmental Activities</b>                         | <b>\$ 14,739,364</b> | <b>\$ 1,394,996</b>               | <b>\$ 2,696,738</b>                   | <b>97,443</b>              | <b>(10,550,187)</b>  |
| <b>General Revenues:</b>                                     |                      |                                   |                                       |                            |  |
| Property Taxes Levied for:                                   |                      |                                   |                                       |                            |  |
| General Purposes   |                      |                                   |                                       |                            | 2,084,294  |
| Debt Service   |                      |                                   |                                       |                            | 109,698  |
| Classroom Facilities   |                      |                                   |                                       |                            | 38,507   |
| Capital Projects   |                      |                                   |                                       |                            | 219,399  |
| Grants and Entitlements, Not Restricted to Specific Programs |                      |                                   |                                       |                            | 8,166,417  |
| Gifts and Donations, Not Restricted to Specific Programs     |                      |                                   |                                       |                            | 49,135   |
| Investment Earnings  |                      |                                   |                                       |                            | 1,169  |
| Insurance Recoveries   |                      |                                   |                                       |                            | 2,253  |
| Miscellaneous  |                      |                                   |                                       |                            | 125,003  |
| <b>Total General Revenues</b>                                |                      |                                   |                                       |                            | <b>10,795,875</b>  |
| <b>Change in Net Position</b>                                |                      |                                   |                                       |                            | <b>245,688</b>   |
| <b>Net Position Beginning of Year</b>                        |                      |                                   |                                       |                            | <b>895,326</b>   |
| <b>Net Position End of Year</b>                              |                      |                                   |                                       |                            | <b>\$ 1,141,014</b>  |

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

**Chesapeake Union Exempted Village School District**  
*Balance Sheet*  
*Governmental Funds*  
*As of June 30, 2016*

|  | General             | Bond<br>Retirement | All Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------|------------------------------------|--------------------------------|
| <b>ASSETS:</b>   |                     |                    |                                    |                                |
| Equity in Pooled Cash and Cash Equivalents                                     | \$ 3,352,732        | \$ 525,382         | \$ 601,302                         | \$ 4,479,416                   |
| Intergovernmental Receivable   | 56,816              | -                  | 61,253                             | 118,069                        |
| Taxes Receivable   | 2,384,618           | 125,506            | 298,713                            | 2,808,837                      |
| <b>Restricted Assets:</b>  |                     |                    |                                    |                                |
| Equity in Pooled Cash and Cash Equivalents                                     | -                   | -                  | 55,342                             | 55,342                         |
| <i>Total Assets</i>  | <u>\$ 5,794,166</u> | <u>\$ 650,888</u>  | <u>\$ 1,016,610</u>                | <u>\$ 7,461,664</u>            |
| <b>LIABILITIES:</b>  |                     |                    |                                    |                                |
| Accounts Payable   | \$ 40,108           | \$ -               | \$ 2,680                           | \$ 42,788                      |
| Accrued Wages and Benefits   | 962,580             | -                  | 120,834                            | 1,083,414                      |
| Contracts Payable  | -                   | -                  | 38,557                             | 38,557                         |
| Intergovernmental Payable  | 153,709             | -                  | 26,806                             | 180,515                        |
| Retainage Payable  | -                   | -                  | 55,342                             | 55,342                         |
| <i>Total Liabilities</i>   | <u>1,156,397</u>    | <u>-</u>           | <u>244,219</u>                     | <u>1,400,616</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>  |                     |                    |                                    |                                |
| Property Taxes not Levied to Finance Current Year Operations                   | 1,876,480           | 98,763             | 236,013                            | 2,211,256                      |
| Unavailable Revenue - Delinquent Taxes   | 303,378             | 15,967             | 37,377                             | 356,722                        |
| Unavailable Revenue - Grants   | -                   | -                  | 19,370                             | 19,370                         |
| <i>Total Deferred Inflows of Resources</i>                                     | <u>2,179,858</u>    | <u>114,730</u>     | <u>292,760</u>                     | <u>2,587,348</u>               |
| <b>FUND BALANCES:</b>  |                     |                    |                                    |                                |
| Nonspendable   | 316                 | -                  | -                                  | 316                            |
| Restricted   | -                   | 536,158            | 562,999                            | 1,099,157                      |
| Committed  | 11,000              | -                  | -                                  | 11,000                         |
| Assigned   | 375,519             | -                  | -                                  | 375,519                        |
| Unassigned (Deficit)   | 2,071,076           | -                  | (83,368)                           | 1,987,708                      |
| <i>Total Fund Balances</i>   | <u>2,457,911</u>    | <u>536,158</u>     | <u>479,631</u>                     | <u>3,473,700</u>               |
| <i>Total Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</i> | <u>\$ 5,794,166</u> | <u>\$ 650,888</u>  | <u>\$ 1,016,610</u>                | <u>\$ 7,461,664</u>            |

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

**Chesapeake Union Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 As of June 30, 2016*

**Total Governmental Fund Balances** \$ 3,473,700

*Amounts reported for governmental activities in the  
 statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 19,892,955

Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.

|                   |         |  |
|-------------------|---------|--|
| Taxes             | 356,722 |  |
| Intergovernmental | 19,370  |  |
|                   | 19,370  |  |

Total 376,092

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.

|  |              |  |
|--|--------------|--|
| Deferred outflows of resources related to pensions | 1,808,398    |  |
| Deferred inflows of resources related to pensions  | (1,701,153)  |  |
| Net Pension Liability                              | (16,839,457) |  |
|  | (16,839,457) |  |

Total (16,732,212)

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

|  |             |  |
|--|-------------|--|
| Compensated Absences                     | (453,050)   |  |
| Interest Payable                         | (8,816)     |  |
| Unamortized Deferred Amount on Refunding | 57,524      |  |
| Certificate of Participation             | (2,475,000) |  |
| Capital Leases                           | (926,000)   |  |
| General Obligation Bonds                 | (2,064,179) |  |
|  | (2,064,179) |  |

Total (5,869,521)

**Net Position of Governmental Activities** \$ 1,141,014

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

**Chesapeake Union Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

|   | General             | Bond<br>Retirement | All Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------|------------------------------------|--------------------------------|
| <b>REVENUES:</b>                                    |                     |                    |                                    |                                |
| Property Taxes                                      | \$ 2,095,993        | \$ 110,314         | \$ 259,246                         | \$ 2,465,553                   |
| Intergovernmental                                   | 8,982,112           | 23,100             | 1,938,458                          | 10,943,670                     |
| Interest  | 1,169               | -                  | -                                  | 1,169                          |
| Tuition and Fees                                    | 1,239,350           | -                  | -                                  | 1,239,350                      |
| Extracurricular Activities                          | 4,208               | -                  | 75,614                             | 79,822                         |
| Gifts and Donations                                 | 35,000              | -                  | 14,135                             | 49,135                         |
| Customer Sales and Services                         | -                   | -                  | 75,824                             | 75,824                         |
| Miscellaneous                                       | 123,102             | -                  | 1,901                              | 125,003                        |
| <i>Total Revenues</i>                               | <u>12,480,934</u>   | <u>133,414</u>     | <u>2,365,178</u>                   | <u>14,979,526</u>              |
| <b>EXPENDITURES:</b>                                |                     |                    |                                    |                                |
| <b>Current:</b>                                     |                     |                    |                                    |                                |
| <b>Instruction:</b>                                 |                     |                    |                                    |                                |
| Regular   | 6,127,231           | -                  | 183,702                            | 6,310,933                      |
| Special   | 870,617             | -                  | 505,014                            | 1,375,631                      |
| Other   | 61,207              | -                  | 6,308                              | 67,515                         |
| <b>Support Services:</b>                            |                     |                    |                                    |                                |
| Pupils  | 421,364             | -                  | 174,052                            | 595,416                        |
| Instructional Staff                                 | 216,672             | -                  | 565,185                            | 781,857                        |
| Board of Education                                  | 74,053              | -                  | -                                  | 74,053                         |
| Administration                                      | 1,023,427           | -                  | -                                  | 1,023,427                      |
| Fiscal  | 341,462             | 3,772              | 9,173                              | 354,407                        |
| Operation and Maintenance of Plant                  | 931,076             | -                  | 138,859                            | 1,069,935                      |
| Pupil Transportation                                | 686,349             | -                  | 10,686                             | 697,035                        |
| Central   | 375,672             | -                  | 36,593                             | 412,265                        |
| Operation of Non-Instructional Services             | -                   | -                  | 458,719                            | 458,719                        |
| Extracurricular Activities                          | 233,922             | -                  | 75,311                             | 309,233                        |
| Capital Outlay                                      | 57,292              | -                  | 604,714                            | 662,006                        |
| <b>Debt Service:</b>                                |                     |                    |                                    |                                |
| Principal   | 127,950             | 150,000            | 130,000                            | 407,950                        |
| Interest  | 75,201              | 29,750             | 82,500                             | 187,451                        |
| <i>Total Expenditures</i>                           | <u>11,623,495</u>   | <u>183,522</u>     | <u>2,980,816</u>                   | <u>14,787,833</u>              |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>857,439</u>      | <u>(50,108)</u>    | <u>(615,638)</u>                   | <u>191,693</u>                 |
| <b>OTHER FINANCING SOURCES AND USES:</b>            |                     |                    |                                    |                                |
| Transfers In  | -                   | -                  | 69,240                             | 69,240                         |
| Insurance Recoveries                                | 2,253               | -                  | -                                  | 2,253                          |
| Transfers Out                                       | (69,240)            | -                  | -                                  | (69,240)                       |
| <i>Total Other Financing Sources and Uses</i>       | <u>(66,987)</u>     | <u>-</u>           | <u>69,240</u>                      | <u>2,253</u>                   |
| <i>Net Change in Fund Balances</i>                  | 790,452             | (50,108)           | (546,398)                          | 193,946                        |
| <i>Fund Balances at Beginning of Year</i>           | <u>1,667,459</u>    | <u>586,266</u>     | <u>1,026,029</u>                   | <u>3,279,754</u>               |
| <i>Fund Balances at End of Year</i>                 | <u>\$ 2,457,911</u> | <u>\$ 536,158</u>  | <u>\$ 479,631</u>                  | <u>\$ 3,473,700</u>            |

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

**Chesapeake Union Exempted Village School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016*

**Net Change in Fund Balances - Total Governmental Funds** \$ 193,946

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.

|                           |             |           |
|---------------------------|-------------|-----------|
| Capital Asset Additions   | 662,006     |           |
| Current Year Depreciation | (1,116,829) |           |
| Total                     |             | (454,823) |

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.

|                                    |         |         |
|------------------------------------|---------|---------|
| Loss on Disposal of Capital Assets | (3,703) |         |
| Total                              |         | (3,703) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

|                   |          |       |
|-------------------|----------|-------|
| Taxes             | (13,655) |       |
| Intergovernmental | 16,928   |       |
| Total             |          | 3,273 |

Repayment of bond and certificate of participation principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.

355,150

Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.

52,800

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net position.

(2,102)

The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net position, but does not result in an expenditure in the governmental funds.

15,164

Deferred amounts on refunding are included as expenditures in the funds, but are deferred and amortized over the life of the bonds in the government-wide financial statements.

(10,510)

The annual accretion of capital appreciation bonds is reported in the statement of activities but is not reported in the governmental funds.

(40,069)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

996,198

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

(837,205)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

|                                  |  |          |
|----------------------------------|--|----------|
| Increase in Compensated Absences |  | (22,431) |
|----------------------------------|--|----------|

**Net Change in Net Position of Governmental Activities** \$ 245,688

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

**Chesapeake Union Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget and Actual (Budgetary Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

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|   | Original Budget | Final Budget  | Actual        | Variance with<br>Final Budget |
|---|-----------------|---------------|---------------|-------------------------------|
| Total Revenues and Other Financing Sources  | \$ 12,399,200   | \$ 12,664,378 | \$ 12,664,378 | \$ -                          |
| Total Expenditures and Other Financing Uses | 12,491,554      | 12,414,647    | 12,414,647    | -                             |
| Net Change in Fund Balance                  | (92,354)        | 249,731       | 249,731       | -                             |
| Fund Balance at Beginning of Year           | 2,009,775       | 2,009,775     | 2,009,775     | -                             |
| Prior Year Encumbrances Appropriated        | 545,737         | 545,737       | 545,737       | -                             |
| Fund Balance at End of Year                 | \$ 2,463,158    | \$ 2,805,243  | \$ 2,805,243  | \$ -                          |

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

**Chesapeake Union Exempted Village School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*As of June 30, 2016*

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|  | <u>Agency Fund</u> |
|--|--------------------|
| ASSETS:                                    |                    |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 19,552</u>   |
| LIABILITIES:                               |                    |
| Due to Students                            | <u>19,552</u>      |
| <i>Total Liabilities</i>                   | <u>\$ 19,552</u>   |

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

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1926 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 36 square miles. It is located in Lawrence County, and includes all of Union Township. It is staffed by 66 non-certificated employees and 99 certificated full-time teaching personnel who provide services to 1,731 students and other community members. The School District currently operates three instructional buildings, one administrative building, and one maintenance building.

*Reporting Entity:*

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

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

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

- \* Boosters Clubs
- \* Parent Teacher Organizations

The School District is associated with four organizations, two of which are defined as jointly governed organizations, one as an insurance purchasing pool and one as a shared risk pool. These organizations are the South Central Ohio Computer Association Council of Governments (SCOCA COG), the Collins Career Center, the Better Business Bureau of Central Ohio's Workers' Compensation Retrospective Group Rating Program, and the Lawrence County Schools Council of Governments Health Benefits Program. These organizations are presented in Notes 15 and 16 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. Basis Of Presentation**

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

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

**B. Fund Accounting**

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

**Governmental Funds**

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

**General Fund**

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

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. Fund Accounting** (continued)

**Bond Retirement Fund**

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

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

**Fiduciary Funds**

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

**Measurement Focus**

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

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

**C. Basis of Accounting**

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

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. Basis of Accounting** (continued)

**Revenues – Exchange and Non-exchange Transactions**

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

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

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

**Deferred Outflows and Deferred Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for the unamortized portion of the deferred amount on refunding of bonds as of June 30, 2016 and for pensions. The deferred outflows of resources related to the pension are explained in Note 9. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension are reported on the Statement of Net Position. (See Note 9)

**Expenses/Expenditures**

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignation and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Budgetary Process**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect amounts in the certificate of estimated resources at the time the permanent appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2016.

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

**E. Cash and Cash Equivalents**

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2016 amounted to \$1,169 in the General Fund.

**F. Capital Assets and Depreciation**

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

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

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**F. Capital Assets and Depreciation** (continued)

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

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

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

**G. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net position. There were no interfund balances as of June 30, 2016.

**H. Compensated Absences**

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

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid. There were no matured compensated absences payable as of June 30, 2016.

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

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

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

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**J. Fund Balance**

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

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

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

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

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

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

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

**K. Estimates**

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

**L. Net Position**

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

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide statement of net position reports \$1,206,248 in restricted net position, none of which is restricted by enabling legislation.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**M. Restricted Assets**

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets in the General Fund included amounts required by statute to be set-aside by the School District for capital improvements. See Note 17 for additional information regarding set-asides on capital improvements. Restricted assets in the amount of \$55,342 represent cash held as retainage for contractors in the non-major Permanent Improvement Fund.

**N. Interfund Transactions**

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

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

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

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

**P. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures and changes in fund balance – budget and actual (budgetary basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis); and

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

4. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

| Net Change in Fund Balance                                    |                   |
|---|-------------------|
| GAAP Basis  | \$ 790,452        |
| Revenue Accruals  | 218,582           |
| Expenditure Accruals  | (331,810)         |
| Perspective Difference:                                       |                   |
| Activity of Funds Reclassified for<br>GAAP Reporting Purposes | (12,766)          |
| Encumbrances  | <u>(414,727)</u>  |
| Budget Basis  | <u>\$ 249,731</u> |

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

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

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

As of June 30, 2016, the School District's bank balance of \$4,633,069 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which fiscal year 2016 taxes were collected are:

|   | <u>2015 Second-Half Collections</u> |                | <u>2016 First-Half Collections</u> |                |
|---|-------------------------------------|----------------|------------------------------------|----------------|
|   | <u>Amount</u>                       | <u>Percent</u> | <u>Amount</u>                      | <u>Percent</u> |
| Agricultural/Residential<br>and Other Real Estate | \$ 108,531,930                      | 89.99%         | \$ 109,573,440                     | 90.45%         |
| Public Utility                                    | 12,067,240                          | 10.01%         | 11,562,530                         | 9.55%          |
| Total Assessed Value                              | <u>\$ 120,599,170</u>               | <u>100.00%</u> | <u>\$ 121,135,970</u>              | <u>100.00%</u> |
| <br>  |                                     |                |                                    |                |
| Tax rate per \$1,000 of<br>assessed valuation     | \$ 22.50                            |                | \$ 22.50                           |                |

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2016, was \$204,760 in the General Fund, \$10,776 in the Bond Retirement Fund, \$3,770 in the non-major Classroom Facilities Maintenance Fund, and \$21,553 in the non-major Permanent Improvement Fund.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2016, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

|   | <u>Amount</u>            |
|---|--------------------------|
| Major Fund:                             |                          |
| General                                 | \$ 56,816                |
| Non-Major Special Revenue Funds:        |                          |
| Food Service                            | 7,481                    |
| Title I                                 | 38,150                   |
| Title VI-B                              | 8,460                    |
| Title VI-R                              | <u>7,162</u>             |
| Total Non-Major Special Revenue Funds   | <u>61,253</u>            |
| Total All Funds/Governmental Activities | <u><u>\$ 118,069</u></u> |

**NOTE 7 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2016, was as follows:

|   | Ending<br>Balance<br>6/30/2015 | Additions                | Deletions                    | Ending<br>Balance<br>6/30/2016 |
|---|--------------------------------|--------------------------|------------------------------|--------------------------------|
| <b>Governmental Activities</b>              |                                |                          |                              |                                |
| Capital Assets, Not Being Depreciated       |                                |                          |                              |                                |
| Land  | \$ 257,668                     | \$ -                     | \$ -                         | \$ 257,668                     |
| Construction in Progress                    | 469,065                        | 569,549                  | (1,038,614)                  | -                              |
| Total Capital Assets, Not Being Depreciated | <u>726,733</u>                 | <u>569,549</u>           | <u>(1,038,614)</u>           | <u>257,668</u>                 |
| Capital Assets Being Depreciated            |                                |                          |                              |                                |
| Land Improvements                           | 4,298,141                      | 12,000                   | -                            | 4,310,141                      |
| Buildings and Improvements                  | 28,899,720                     | 1,071,361                | (25,471)                     | 29,945,610                     |
| Furniture and Equipment                     | 751,311                        | 47,710                   | -                            | 799,021                        |
| Vehicles                                    | 853,415                        | -                        | -                            | 853,415                        |
| Textbooks                                   | 972,141                        | -                        | -                            | 972,141                        |
| Total Capital Assets Being Depreciated      | <u>35,774,728</u>              | <u>1,131,071</u>         | <u>(25,471)</u>              | <u>36,880,328</u>              |
| Less: Accumulated Depreciation:             |                                |                          |                              |                                |
| Land Improvements                           | (1,014,777)                    | (201,061)                | -                            | (1,215,838)                    |
| Buildings and Improvements                  | (12,831,814)                   | (835,160)                | 21,768                       | (13,645,206)                   |
| Furniture and Equipment                     | (576,007)                      | (41,662)                 | -                            | (617,669)                      |
| Vehicles                                    | (757,510)                      | (36,677)                 | -                            | (794,187)                      |
| Textbooks                                   | (969,872)                      | (2,269)                  | -                            | (972,141)                      |
| Total Accumulated Depreciation              | <u>(16,149,980)</u>            | <u>(1,116,829)</u>       | <u>21,768</u>                | <u>(17,245,041)</u>            |
| Total Capital Assets Being Depreciated, Net | <u>19,624,748</u>              | <u>14,242</u>            | <u>(3,703)</u>               | <u>19,635,287</u>              |
| Governmental Capital Assets, Net            | <u><u>\$ 20,351,481</u></u>    | <u><u>\$ 583,791</u></u> | <u><u>\$ (1,042,317)</u></u> | <u><u>\$ 19,892,955</u></u>    |

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 7 - CAPITAL ASSETS** (continued)

Depreciation expense was charged to governmental functions as follows:

|   |                           |
|---|---------------------------|
| Instruction:                            |                           |
| Regular                                 | \$806,018                 |
| Special                                 | 2,723                     |
| Support Services:                       |                           |
| Instructional Staff                     | 10,640                    |
| Board of Education                      | 8,067                     |
| Administration                          | 4,115                     |
| Operation and Maintenance of Plant      | 74,197                    |
| Pupil Transportation                    | 37,381                    |
| Operation of Non-Instructional Services | 10,835                    |
| Extracurricular Activities              | 162,853                   |
| Total Depreciation Expense              | <u><u>\$1,116,829</u></u> |

**NOTE 8 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School District contracted with Wells Fargo Insurance Services. Coverage provided is as follows:

|                              |              |
|------------------------------|--------------|
| Commercial Property Coverage | \$40,110,872 |
| Automobile Liability         | 1,000,000    |
| Uninsured Motorists          | 1,000,000    |
| General Liability            |              |
| Per occurrence               | 1,000,000    |
| Total per year               | 2,000,000    |

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

For fiscal year 2016, the School District participated in the Better Business Bureau of Central Ohio's Workers' Compensation Retrospective Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to improve safety, accident prevention, and claims handling for the School District. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmanagement provides administrative, cost control, and actuarial services to the GRP.

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council), a public entity shared risk pool (Note 16), consisting of government entities within the County offering medical insurance to their employees. Monthly premiums are paid to the Lawrence County Educational Service Center as fiscal agent, who in turns pays the claims on the District's behalf. The Council is responsible for the management and operations of the program. Upon termination of the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the fund of the Council.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. Defined Benefit Pension Plans**

**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Plan Description - School Employees Retirement System (SERS)**

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                          | Eligible to<br>Retire on or after<br>August 1, 2017                                  |
|------------------------------|---|--|
| Full Benefits                | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire allocation was designated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund for fiscal year 2016.

The School District's contractually required contribution to SERS was \$252,966 for fiscal year 2016. Of this amount \$16,977 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Plan Description - State Teachers Retirement System (STRS) (continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2015, the employer rate was 14% and the member rate was 12% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 13% on July 1, 2015 and will increase to 14% on July 1, 2016.

The School District's contractually required contribution to STRS Ohio was \$743,232 for fiscal year 2016. Of this amount \$117,828 is reported as an intergovernmental payable.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability reported as of June 30, 2016 was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

|  | <u>SERS</u> | <u>STRS</u>  | <u>Total</u> |
|--|-------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$2,745,209 | \$14,094,248 | \$16,839,457 |
| Proportion of the Net Pension Liability          | 0.0481101%  | 0.05099761%  |              |
| Pension Expense                                  | \$330,353   | \$506,852    | \$837,205    |

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>Deferred Outflows of Resources</b>   | <u>SERS</u>      | <u>STRS</u>        | <u>Total</u>       |
|---|------------------|--------------------|--------------------|
| Differences between expected and actual economic experience   | \$43,370         | \$642,519          | \$685,889          |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | 126,311          | -                  | 126,311            |
| School District contributions subsequent to the measurement date  | <u>252,966</u>   | <u>743,232</u>     | <u>996,198</u>     |
| Total   | <u>\$422,647</u> | <u>\$1,385,751</u> | <u>\$1,808,398</u> |

| <b>Deferred Inflows of Resources</b>  | <u>SERS</u>     | <u>STRS</u>        | <u>Total</u>       |
|---|-----------------|--------------------|--------------------|
| Differences between projected and actual investment earnings  | \$75,020        | \$1,013,643        | \$1,088,663        |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | <u>0</u>        | <u>612,490</u>     | <u>612,490</u>     |
| Total   | <u>\$75,020</u> | <u>\$1,626,133</u> | <u>\$1,701,153</u> |

\$996,198 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

|                             | <u>SERS</u>     | <u>STRS</u>        | <u>Total</u>       |
|-----------------------------|-----------------|--------------------|--------------------|
| Fiscal Year Ending June 30: |                 |                    |                    |
| 2017                        | \$8,553         | (\$390,043)        | (\$381,490)        |
| 2018                        | 8,553           | (390,043)          | (381,490)          |
| 2019                        | 8,353           | (390,042)          | (381,689)          |
| 2020                        | <u>69,202</u>   | <u>186,514</u>     | <u>255,716</u>     |
| Total                       | <u>\$94,661</u> | <u>(\$983,614)</u> | <u>(\$888,953)</u> |

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

|  |  |
|--|--|
| Wage Inflation                               | 3.25 percent   |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent                                   |
| COLA or Ad Hoc COLA                          | 3.25 percent   |
| Investment Rate of Return                    | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method                        | Entry Age Normal   |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - SERS**

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u> | <u>Target<br/>Allocation</u> | <u>Long Term Expected<br/>Real Rate of Return</u> |
|--------------------|------------------------------|---|
| Cash               | 1.00 %                       | 0.00 %  |
| US Stocks          | 22.50                        | 5.00  |
| Non-US Stocks      | 22.50                        | 5.50  |
| Fixed Income       | 19.00                        | 1.50  |
| Private Equity     | 10.00                        | 10.00   |
| Real Estate        | 10.00                        | 5.00  |
| Hedge Funds        | 15.00                        | 7.50  |
| <br>Total          | <br><u>100.00 %</u>          |   |

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

|  | <u>1% Decrease<br/>(6.75%)</u> | <u>Current<br/>Discount Rate<br/>(7.75%)</u> | <u>1% Increase<br/>(8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| School District's proportionate share of the net pension liability | \$3,806,618                    | \$2,745,209                                  | \$1,851,415                    |

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                   |  |
|-----------------------------------|--|
| Inflation                         | 2.75 percent   |
| Projected salary increases        | 2.75 percent at age 70 to 12.25 percent at age 20  |
| Investment Rate of Return         | 7.75 percent, net of investment expenses   |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>10 Year Expected Nominal Rate of Return</u> |
|----------------------|--------------------------|--|
| Domestic Equity      | 31.00 %                  | 8.00 %   |
| International Equity | 26.00                    | 7.85   |
| Alternatives         | 14.00                    | 8.00   |
| Fixed Income         | 18.00                    | 3.75   |
| Real Estate          | 10.00                    | 6.75   |
| Liquidity Reserves   | <u>1.00</u>              | 3.00   |
| Total                | <u>100.00 %</u>          |  |

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – STRS (continued)**

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

|   | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share<br>of the net pension liability | \$19,577,973           | \$14,094,248                        | \$9,456,940            |

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2016, none of the School District's members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

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

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. At June 30, 2016, 2015, and 2014, the health care allocations were 0 percent, 0.82 percent, and 0.14 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

**School Employees Retirement System (continued)**

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2016, 2015, and 2014 fiscal years equaled \$34,743, \$55,142, and \$41,729, respectively; which is equal to the required amounts for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employer/Audit Resources*.

**State Teachers Retirement System of Ohio**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$0, and \$51,646, respectively, which equaled the required contributions each year.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 63 days for all personnel.

**B. Insurance Benefits**

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

**C. Deferred Compensation**

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

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 12 - LONG-TERM LIABILITIES**

The changes in the School District's long-term liabilities during fiscal year 2016 were as follows:

|  | Principal<br>Outstanding<br>7/1/2015 | Additions           | Deletions           | Principal<br>Outstanding<br>6/30/2016 | Due in<br>One Year |
|--|--------------------------------------|---------------------|---------------------|---------------------------------------|--------------------|
| General Obligation Bonds:                            |                                      |                     |                     |                                       |                    |
| 2006 School Improvement Refundings Bonds \$2,044,996 |                                      |                     |                     |                                       |                    |
| Term Bonds - \$1,385,000 @ 3.6%-4.1%                 | \$ 825,000                           | \$ -                | \$ 150,000          | \$ 675,000                            | \$ 160,000         |
| Capital Appreciation Bonds - \$49,996 @ 4.3%-4.5%    | 49,996                               | -                   | -                   | 49,996                                | -                  |
| Accretion of Interest - \$470,004 @ 17.58%           | 203,675                              | 40,069              | -                   | 243,744                               | -                  |
| Premium - \$218,538                                  | 88,422                               | -                   | 13,659              | 74,763                                | -                  |
| 2015 Limited-Tax General Obligation Bonds            |                                      |                     |                     |                                       |                    |
| Term Bonds - \$1,074,750 @ 3.52%                     | 1,074,750                            | -                   | 75,150              | 999,600                               | 56,450             |
| Premium - \$22,581                                   | 22,581                               | -                   | 1,505               | 21,076                                | -                  |
| <b>Total General Obligation Bonds</b>                | <b>2,264,424</b>                     | <b>40,069</b>       | <b>240,314</b>      | <b>2,064,179</b>                      | <b>216,450</b>     |
| Net Pension Liability:                               |                                      |                     |                     |                                       |                    |
| STRS   | 12,935,413                           | 1,158,835           | -                   | 14,094,248                            | -                  |
| SERS   | 2,303,893                            | 441,316             | -                   | 2,745,209                             | -                  |
| <b>Total Net Pension Liability</b>                   | <b>15,239,306</b>                    | <b>1,600,151</b>    | <b>-</b>            | <b>16,839,457</b>                     | <b>-</b>           |
| Capital Leases                                       | 978,800                              | -                   | 52,800              | 926,000                               | 55,000             |
| Certificates of Participation                        | 2,605,000                            | -                   | 130,000             | 2,475,000                             | 130,000            |
| Compensated Absences                                 | 430,619                              | 745,529             | 723,098             | 453,050                               | 10,764             |
| <b>Total Long-Term Liabilities</b>                   | <b>\$ 21,518,149</b>                 | <b>\$ 2,385,749</b> | <b>\$ 1,146,212</b> | <b>\$ 22,757,686</b>                  | <b>\$ 412,214</b>  |

2006 School Improvement Refunding General Obligation Bonds – On December 21, 2005, the Chesapeake Union Exempted Village School District issued \$2,044,996 of General Obligation Bonds which included serial, term, and capital appreciation (deep discount) bonds in the amount of \$610,000, \$1,385,000, and \$49,996, respectively. The term bonds are subject to optional redemption and the capital appreciation bonds are not subject to redemption prior to scheduled maturity. The bonds were issued to refund \$2,045,000 of outstanding 1999 School Improvement General Obligation Bonds. The bonds were issued for a 16 year period with final maturity at December 1, 2022. At the date of refunding, \$2,213,148 (including premium and after underwriting fees, and other issuance costs) was deposited into an irrevocable trust to provide for all future debt service payments on the refunded 1999 School Improvement Bonds. As of June 30, 2016, \$675,000 of the refunded bonds is still outstanding. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

These refunding bonds were issued with a premium of \$218,538 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2016 was \$13,659. The issuance costs of \$50,386 were expensed. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$168,152. This difference is recorded as a deferred outflow of resources on the Statement of Net Position and is being amortized over the life of the refunded debt.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 12 - LONG-TERM LIABILITIES** (continued)

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

The capital appreciation bonds for this issue mature December 1, 2018 through December 1, 2020. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$520,000. For fiscal year 2016, \$40,069 was accreted for a total capital appreciation bond liability of \$293,740.

2015 Limited-Tax General Obligation Bonds – On June 18, 2015, the Chesapeake Union Exempted Village School District issued \$1,074,750 of General Obligation Bonds. The bonds were issued in order to finance a School Energy Performance Contract (House Bill 264) through the Ohio Facilities Construction Committee. The bonds mature in December 2029.

These bonds were issued with a premium of \$22,581 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2016 was \$1,505. The issuance costs of \$22,581 were expensed.

Principal and interest requirements to retire bonds outstanding at June 30, 2016 are as follows:

| Fiscal year<br>Ending<br>June 30, | 2006 School Improvement Refunding Bonds |                  |                               |                   | 2015 General Obligation Bonds |                   |
|-----------------------------------|---|------------------|-------------------------------|-------------------|-------------------------------|-------------------|
|                                   | Serial and Term Bonds                   |                  | Capital Appreciation<br>Bonds |                   | Term Bonds                    |                   |
|                                   | Principal                               | Interest         | Principal                     | Accretion         | Principal                     | Interest          |
| 2017                              | \$ 160,000                              | \$ 23,782        | \$ -                          | \$ -              | \$ 56,450                     | \$ 34,192         |
| 2018                              | 165,000                                 | 17,526           | -                             | -                 | 58,450                        | 32,170            |
| 2019                              | -                                       | 14,350           | 19,195                        | 150,805           | 60,500                        | 30,077            |
| 2020                              | -                                       | 14,350           | 16,695                        | 158,305           | 62,650                        | 27,909            |
| 2021                              | -                                       | 14,350           | 14,106                        | 160,893           | 64,850                        | 25,665            |
| 2022-2026                         | 350,000                                 | 14,555           | -                             | -                 | 360,200                       | 91,798            |
| 2027-2030                         | -                                       | -                | -                             | -                 | 336,500                       | 24,204            |
| Totals                            | <u>\$ 675,000</u>                       | <u>\$ 98,913</u> | <u>\$ 49,996</u>              | <u>\$ 470,003</u> | <u>\$ 999,600</u>             | <u>\$ 266,015</u> |

The School District's overall debt margin was \$9,081,910, with an unvoted debt margin of \$121,136, at June 30, 2016.

Compensated absences are being paid from the fund from which the employees' salaries are paid, with the General Fund being the most significant fund. The 2006 School Improvement Refunding Bonds are being repaid from the Bond Retirement Fund and the 2015 Limited-Tax General Obligation Bonds are being paid from the Bond Retirement Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

**A. Capital Lease Obligation**

During a previous fiscal year, the School District entered into a lease-purchase agreement for the installation of a new Heating, Ventilation, and Air Conditioning (HVAC) system in the amount of \$1,028,300. The School District is leasing the equipment from T.M.I. Energy Solutions and will retain title to the project during the lease term. This project was financed with Huntington National Bank and the School District is making annual lease payments each December. The interest rate is fixed at 4.20 percent and expires in fiscal year 2029. At the end of fiscal year 2016, the outstanding balance of the lease was \$926,000.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2016:

| Fiscal Year<br>Ending June 30,          | Total<br>Payments |
|---|-------------------|
| 2017                                    | \$93,892          |
| 2018                                    | 93,882            |
| 2019                                    | 93,875            |
| 2020                                    | 93,868            |
| 2021                                    | 93,856            |
| 2022-2026                               | 469,468           |
| 2027-2029                               | 281,704           |
| Total                                   | 1,220,545         |
| Less: Amount Representing Interest      | (294,545)         |
| Present Value of Minimum Lease Payments | <u>\$926,000</u>  |

**B. Certificates of Participation**

During fiscal year 2013, the School District entered into certificates of participation to finance the construction of an athletic complex. The School District is leasing the projects from PS&W Holding Company, Inc. PS&W Holding Company, Inc. will retain title to the project during the certificate term. PS&W Holding Company, Inc. has assigned US Bank as trustee. The School District is making semi-annual payments to US Bank. Principal payments in fiscal year 2016 totaled \$130,000 in the governmental funds. This debt is being repaid from the Permanent Improvement Fund.

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2016:

| Fiscal Year<br>Ending June 30: | Principal          | Interest         | Total              |
|--------------------------------|--------------------|------------------|--------------------|
| 2017                           | \$130,000          | \$79,900         | \$209,900          |
| 2018                           | 135,000            | 77,250           | 212,250            |
| 2019                           | 140,000            | 73,800           | 213,800            |
| 2020                           | 145,000            | 69,525           | 214,525            |
| 2021                           | 145,000            | 65,175           | 210,175            |
| 2022-2026                      | 810,000            | 251,726          | 1,061,726          |
| 2027-2031                      | 715,000            | 109,711          | 824,711            |
| 2032-2033                      | 255,000            | 9,979            | 264,979            |
| Total                          | <u>\$2,475,000</u> | <u>\$737,066</u> | <u>\$3,212,066</u> |

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 14 - INTERFUND TRANSFERS**

As of June 30, 2016, transfers were as follows:

|                  | <u>Transfer To</u> | <u>Transfer From</u> |
|------------------|--------------------|----------------------|
| Major Fund:      |                    |                      |
| General Fund     | \$ -               | \$ 69,240            |
| Non-Major Funds: |                    |                      |
| Food Service     | 66,850             | -                    |
| Athletic         | 2,390              | -                    |
| Total All Funds  | <u>\$ 69,240</u>   | <u>\$ 69,240</u>     |

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

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

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

The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities, 60 non-public education entities, and public libraries from 22 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The School District paid SCOCA COG \$86,292 for services provided during the fiscal year. Financial information can be obtained from their fiscal office located at Pike County Career Technology Center, P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**NOTE 16 - INSURANCE PURCHASING AND SHARED RISK POOLS**

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

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

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND BALANCE RESTRICTIONS**

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

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

|                                       | <u>Capital<br/>Improvements</u> |
|---------------------------------------|---------------------------------|
| Set-aside Balance as of June 30, 2015 | \$ 45,396                       |
| Current year set-aside requirement    | 242,695                         |
| Current year offsets                  | (87,617)                        |
| Current year qualifying expenditures  | <u>(200,474)</u>                |
| Set-aside Balance as of June 30, 2016 | <u><u>\$ -</u></u>              |

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

**B. Litigation**

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

**C. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**NOTE 19 – ACCOUNTABILITY**

**Accountability - Fund Balance Deficits**

At June 30, 2016, the Food Service, Title VI-B, Title I, and Title VI-R nonmajor special revenue funds had fund balance deficits of \$34,035, \$16,133, \$21,872, and \$11,328, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 20 – FUND BALANCES**

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

| Fund Balances                    | General             | Bond<br>Retirement | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------|---------------------|--------------------|-----------------------------------|--------------------------------|
| <b>Nonspendable</b>              |                     |                    |                                   |                                |
| Unclaimed Monies                 | \$ 316              | \$ -               | \$ -                              | \$ 316                         |
| <b>Restricted for</b>            |                     |                    |                                   |                                |
| Other Purposes                   | -                   | -                  | 11,273                            | 11,273                         |
| Classroom Facilities Maintenance | -                   | -                  | 363,588                           | 363,588                        |
| Miscellaneous State Grants       | -                   | -                  | 3,952                             | 3,952                          |
| Miscellaneous Federal Grants     | -                   | -                  | 24,926                            | 24,926                         |
| Capital Projects                 | -                   | -                  | 159,260                           | 159,260                        |
| Debt Services Payments           | -                   | 536,158            | -                                 | 536,158                        |
| Total Restricted                 | <u>-</u>            | <u>536,158</u>     | <u>562,999</u>                    | <u>1,099,157</u>               |
| <b>Committed to</b>              |                     |                    |                                   |                                |
| Underground Storage Tanks        | 11,000              | -                  | -                                 | 11,000                         |
| Total Committed                  | <u>11,000</u>       | <u>-</u>           | <u>-</u>                          | <u>11,000</u>                  |
| <b>Assigned to</b>               |                     |                    |                                   |                                |
| Other Purposes                   | 375,519             | -                  | -                                 | 375,519                        |
| <b>Unassigned (Deficit)</b>      |                     |                    |                                   |                                |
|                                  | 2,071,076           | -                  | (83,368)                          | 1,987,708                      |
| Total Fund Balances              | <u>\$ 2,457,911</u> | <u>\$ 536,158</u>  | <u>\$ 479,631</u>                 | <u>\$ 3,473,700</u>            |

**NOTE 21 –NEW ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2016, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School District.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

**Chesapeake Union Exempted Village School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2016*

**NOTE 21 – NEW ACCOUNTING PRINCIPLES** (continued)

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

**NOTE 22 – COMMITMENTS**

A. Contractual

As of June 30, 2016, the School District’s contractual purchase commitments from the Capital Project Fund for the HB 264 Energy Conservation Project and the Permanent Improvement Fund for the Athletic Field Project are as follows:

| <u>Project</u>       | <u>Vendor</u>           | <u>Contract<br/>Amount</u> | <u>Amount<br/>Expended</u> | <u>Balance at<br/>06/30/16</u> |
|----------------------|-------------------------|----------------------------|----------------------------|--------------------------------|
| HB264 Energy Project | T.M.I. Energy Solutions | \$129,950                  | \$0                        | \$129,950                      |
| Athletic Complex     | J & H Reinforcing       | 1,479,662                  | 1,424,320                  | 55,342                         |

B. Encumbrances

At June 30, 2016, the School District had encumbrance commitments in governmental fund as follows:

| <u>Fund</u>                      | <u>Amount</u>           |
|----------------------------------|-------------------------|
| Major Fund:                      |                         |
| General                          | \$414,727               |
| Non-Major Funds:                 |                         |
| Permanent Improvement            | 135,219                 |
| Classroom Facilities Maintenance | <u>110,535</u>          |
| Total Non-Major Funds            | <u>245,754</u>          |
| Total Encumbrances               | <u><u>\$660,481</u></u> |

**NOTE 23 – SUBSEQUENT EVENTS**

**Metropolitan Educational Technology Association (META) Solutions**

META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. Metropolitan Dayton Educational Cooperative Association (MDECA), and Southeastern Ohio Voluntary Education Cooperative (SEOVEC) also merged with META Solutions on January 4, 2016. META Solutions develops, implements and supports the technology and instructional needs of schools and provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of eight members from member districts. The South Central Ohio Computer Association Council of Governments was in the process of merging with META, however, as of the date of this financial report, the merger had not been completed.

**Chesapeake Union Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Years(1)*

|  | <u>2015</u>           | <u>2014</u>           | <u>2013</u>           |
|--|-----------------------|-----------------------|-----------------------|
| Total plan pension liability   | \$ 18,503,280,961     | \$ 17,881,827,171     | \$ 17,247,161,078     |
| Plan net position  | <u>12,797,184,030</u> | <u>12,820,884,107</u> | <u>11,300,482,029</u> |
| Net pension liability  | 5,706,096,931         | 5,060,943,064         | 5,946,679,049         |
| School District's proportion of the net pension liability  | 0.048110%             | 0.045523%             | 0.045523%             |
| School District's proportionate share of the net pension liability   | \$ 2,745,209          | \$ 2,303,893          | \$ 2,707,107          |
| District's covered-employee payroll  | \$ 1,448,323          | \$ 1,322,799          | \$ 1,615,014          |
| School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 189.54%               | 174.17%               | 167.62%               |
| Plan fiduciary net position as a percentage of the total pension liability   | 69.16%                | 71.70%                | 65.52%                |

(1) Information prior to 2013 is not available

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Chesapeake Union Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Years (1)*

|  | <u>2015</u>           | <u>2014</u>           | <u>2013</u>           |
|--|-----------------------|-----------------------|-----------------------|
| Total plan pension liability   | \$ 99,014,653,744     | \$ 96,167,057,104     | \$ 94,366,693,720     |
| Plan net position  | <u>71,377,578,736</u> | <u>71,843,596,331</u> | <u>65,392,746,348</u> |
| Net pension liability  | 27,637,075,008        | 24,323,460,773        | 28,973,947,372        |
| School District's proportion of the net pension liability  | 0.05099761%           | 0.05318081%           | 0.05318081%           |
| School District's proportionate share of the net pension liability   | \$ 14,094,248         | \$ 12,935,413         | \$ 15,408,580         |
| School District's covered-employee payroll   | \$ 5,320,743          | \$ 5,433,607          | \$ 5,274,100          |
| School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 264.89%               | 238.06%               | 292.16%               |
| Plan fiduciary net position as a percentage of the total pension liability   | 72.09%                | 74.71%                | 69.30%                |

(1) Information prior to 2013 is not available

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Chesapeake Union Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Years*

|  | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 252,966       | \$ 190,889       | \$ 183,340       | \$ 223,518       | \$ 208,547       | \$ 180,515       | \$ 245,488       | \$ 150,072       | \$ 119,514       | \$ 156,107       |
| Contributions in relation to the contractually required contribution | <u>(252,966)</u> | <u>(190,889)</u> | <u>(183,340)</u> | <u>(223,518)</u> | <u>(208,547)</u> | <u>(180,515)</u> | <u>(245,488)</u> | <u>(150,072)</u> | <u>(119,514)</u> | <u>(156,107)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      |
| School District's covered-employee payroll                           | \$ 1,806,900     | \$ 1,448,323     | \$ 1,322,799     | \$ 1,615,014     | \$ 1,550,535     | \$ 1,436,078     | \$ 1,813,058     | \$ 1,525,122     | \$ 1,217,047     | \$ 1,461,676     |
| Contributions as a percentage of covered employee payroll            | 14.00%           | 13.18%           | 13.86%           | 13.84%           | 13.45%           | 12.57%           | 13.54%           | 9.84%            | 9.82%            | 10.68%           |

**Chesapeake Union Exempted Village School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Years*

|  | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 743,232       | \$ 744,904       | \$ 706,391       | \$ 685,633       | \$ 790,495       | \$ 725,407       | \$ 803,088       | \$ 765,343       | \$ 707,869       | \$ 694,784       |
| Contributions in relation to the contractually required contribution | <u>(743,232)</u> | <u>(744,904)</u> | <u>(706,391)</u> | <u>(685,633)</u> | <u>(790,495)</u> | <u>(725,407)</u> | <u>(803,088)</u> | <u>(765,343)</u> | <u>(707,869)</u> | <u>(694,784)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      |
| School District covered-employee payroll                             | \$ 5,308,800     | \$ 5,320,743     | \$ 5,433,607     | \$ 5,274,100     | \$ 6,080,731     | \$ 5,580,054     | \$ 6,177,600     | \$ 5,887,254     | \$ 5,445,146     | \$ 5,344,492     |
| Contributions as a percentage of covered-employee payroll            | 14.00%           | 14.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           | 13.00%           |

**Chesapeake Union Exempted Village School District**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2016*

| Federal Grantor/Pass Through Grantor/Program Title     | Pass Through<br>Entity Number | Federal CFDA Number | Federal<br>Expenditures   |
|--|-------------------------------|---------------------|---------------------------|
| <b><u>United States Department of Agriculture</u></b>  |                               |                     |                           |
| <i>Passed through the Ohio Department of Education</i> |                               |                     |                           |
| Child Nutrition Cluster:                               |                               |                     |                           |
| School Breakfast Program                               | 3L70                          | 10.553              | \$84,942                  |
| National School Lunch Program                          | 3L60                          | 10.555              | 237,450                   |
| National School Lunch Program - Non-Cash Assistance    | N/A                           | 10.555              | 31,760                    |
| Total Child Nutrition Cluster                          |                               |                     | <u>354,152</u>            |
| <b>Total United States Department of Agriculture</b>   |                               |                     | <b>354,152</b>            |
| <b><u>United States Department of Education</u></b>    |                               |                     |                           |
| <i>Passed through the Ohio Department of Education</i> |                               |                     |                           |
| Special Education-Grants to States                     | 3M20                          | 84.027              | 350,452                   |
| Title I Grants to Local Educational Agencies           | 3M00                          | 84.010              | 313,782                   |
| Twenty-First Century Community Learning Centers        | 3Y20                          | 84.287              | 550,000                   |
| Improving Teacher Quality State Grants                 | 3Y60                          | 84.367              | 107,697                   |
| <b>Total United States Department of Education</b>     |                               |                     | <u><b>1,321,931</b></u>   |
| <b>Total Federal Financial Assistance</b>              |                               |                     | <u><b>\$1,676,083</b></u> |

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

**Chesapeake Union Exempted Village School District**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 1 – Basis of Presentation**

The accompanying schedule of federal awards expenditures (the schedule) is a summary of the activity of the School District's federal award programs. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position and changes in net position of the School District.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 – Food Donation Program**

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**Note 4 – Child Nutrition Cluster**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**Note 5 – Transfers Between Program Years**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2015 to 2016 programs:

| <u>Program Title</u>    | <u>CFDA Number</u> | <u>Amount Transferred</u> |
|-------------------------|--------------------|---------------------------|
| Special Education Grant | 84.027             | \$9,103                   |

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chesapeake Union Exempted Village School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 16, 2016.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



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

December 16, 2016

**Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

We have audited the Chesapeake Union Exempted Village School District's, (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2016. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

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

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

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

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



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

December 16, 2016

**Chesapeake Union Exempted Village School District**  
*Schedule of Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2016*

**Section I – Summary of Auditor’s Results**

|  |  |
|--|--|
| <i>Financial Statements</i>  |  |
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified   |
| Internal control over financial reporting:   |  |
| Material weakness(es) identified?  | No   |
| Significant deficiency(ies) identified?  | None reported  |
| Noncompliance material to financial statements noted?  | No   |
| <i>Federal Awards</i>  |  |
| Internal control over major program(s):  |  |
| Material weakness(es) identified?  | No   |
| Significant deficiency(ies) identified?  | None reported  |
| Type of auditor’s report issued on compliance for major programs:  | Unmodified   |
| Any auditing findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                | No   |
| Identification of major federal program(s):  | Twenty-First Century Community Learning Centers (CFDA #84.287) |
| Dollar threshold used to distinguish between type A and type B programs:   | \$750,000  |
| Auditee qualified as low-risk auditee?   | Yes  |

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None



# Dave Yost • Auditor of State

**CHESAPEAKE UNION EXEMPTED VILLAGE SCHOOL DISTRICT**

**LAWRENCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 16, 2017**