



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF CHARDON
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – The Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – The Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Chardon
Geauga County
111 Water Street
Chardon, Ohio 44024

To the Village Council:

We have audited the accompanying financial statements of the Village of Chardon, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Chardon Village, Geauga County, as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

May 3, 2000

This page intentionally left blank.

VILLAGE OF CHARDON
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$2,826,514	\$595,743				\$3,422,257
Intergovernmental Receipts	227,725	279,510				507,235
Charges for Services	1,102	205,302				206,404
Fines, Licenses, and Permits	787,994	28,353				816,347
Miscellaneous	344,731	155,006				499,737
Total Cash Receipts	4,188,066	1,263,914	\$0	\$0	\$0	5,451,980
Cash Disbursements:						
Current:						
Security of Persons and Property	747,075	633,908				1,380,983
Public Health Services	24,234	60,930				85,164
Leisure Time Activities		148,055				148,055
Community Environment	116,652					116,652
Basic Utility Services	13,300					13,300
Transportation	724,585	37,465				762,050
General Government	1,728,623	60,660				1,789,283
Debt Service:						
Principal Payments			90,000			90,000
Interest Payments			126,285			126,285
Capital Outlay	264,349	112,051		78,652		455,052
Total Disbursements	3,618,818	1,053,069	216,285	78,652	0	4,966,824
Total Receipts Over/(Under) Disbursements	569,248	210,845	(216,285)	(78,652)	0	485,156
Other Financing Receipts/(Disbursements):						
Transfers-In		415,000	215,000	676,000		1,306,000
Transfers-Out	(903,000)	(50,000)				(953,000)
Other Sources	198,648	9,195				207,843
Total Other Financing Receipts/(Disbursements)	(704,352)	374,195	215,000	676,000	0	560,843
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(135,104)	585,040	(1,285)	597,348	0	1,045,999
Fund Cash Balances January 1	1,635,616	711,915	36,752	40,466	22,410	2,447,159
Fund Cash Balances, December 31	\$1,500,512	\$1,296,955	\$35,467	\$637,814	\$22,410	\$3,493,158
Reserves for Encumbrances, December 31	\$308,171	\$261,661	\$0	\$31,654	\$0	\$601,486

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

VILLAGE OF CHARDON
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
THE PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$2,217,031			\$2,217,031
Miscellaneous	150			150
Total Operating Cash Receipts	<u>2,217,181</u>	<u>\$0</u>	<u>\$0</u>	<u>2,217,181</u>
Operating Cash Disbursements:				
Personal Services	711,600			711,600
Contractual Services	385,580			385,580
Supplies and Materials	107,005			107,005
Capital Outlay	987,228			987,228
Total Operating Cash Disbursements	<u>2,191,413</u>	<u>0</u>	<u>0</u>	<u>2,191,413</u>
Operating Income/(Loss)	<u>25,768</u>	<u>0</u>	<u>0</u>	<u>25,768</u>
Non-Operating Cash Receipts:				
Proceeds from Loan	324,471			324,471
Miscellaneous	140,570	394	59,317	200,281
Other Non-Operating Receipts	22,695		1,959,948	1,982,643
Total Non-Operating Cash Receipts	<u>487,736</u>	<u>394</u>	<u>2,019,265</u>	<u>2,507,395</u>
Non-Operating Cash Disbursements:				
Debt Service	12,600			12,600
Other Non-Operating Cash Disbursements		180	2,000,957	2,001,137
Total Non-Operating Cash Disbursements	<u>12,600</u>	<u>180</u>	<u>2,000,957</u>	<u>2,013,737</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	500,904	214	18,308	519,426
Transfers-In	1,264,883			1,264,883
Transfers-Out	(1,617,883)			(1,617,883)
Net Receipts Over/(Under) Disbursements	147,904	214	18,308	166,426
Fund Cash Balances, January 1	<u>4,053,673</u>	<u>18,720</u>	<u>114,860</u>	<u>4,187,253</u>
Fund Cash Balances, December 31	<u>\$4,201,577</u>	<u>\$18,934</u>	<u>\$133,168</u>	<u>\$4,353,679</u>
Reserve for Encumbrances, December 31	<u>\$12,894,712</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,894,712</u>

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

VILLAGE OF CHARDON
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$2,817,845	\$589,405				\$3,407,250
Intergovernmental Receipts	265,928	439,794				705,722
Charges for Services	1,947	127,737				129,684
Fines, Licenses, and Permits	806,678	24,346				831,024
Miscellaneous	286,239	124,408				410,647
Total Cash Receipts	4,178,637	1,305,690	\$0	\$0	\$0	5,484,327
Cash Disbursements:						
Current:						
Security of Persons and Property	658,609	606,306				1,264,915
Public Health Services	23,422	60,645				84,067
Leisure Time Activities		151,253				151,253
Community Environment	107,353					107,353
Basic Utility Services	9,900					9,900
Transportation	679,389	20,549				699,938
General Government	1,541,342	39,531			500	1,581,373
Debt Service:						
Principal Payments			85,000			85,000
Interest Payments			129,940			129,940
Capital Outlay	343,477	492,324		38,053		873,854
Total Disbursements	3,363,492	1,370,608	214,940	38,053	500	4,987,593
Total Receipts Over/(Under) Disbursements	815,145	(64,918)	(214,940)	(38,053)	(500)	496,734
Other Financing Receipts/(Disbursements):						
Transfers-In		190,000	215,000			405,000
Transfers-Out	(365,000)	(40,000)				(405,000)
Other Sources	238,118	8,604				246,722
Total Other Financing Receipts/(Disbursements)	(126,882)	158,604	215,000	0	0	246,722
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	688,263	93,686	60	(38,053)	(500)	743,456
Fund Cash Balances January 1	947,353	618,229	36,692	78,519	22,910	1,703,703
Fund Cash Balances, December 31	\$1,635,616	\$711,915	\$36,752	\$40,466	\$22,410	\$2,447,159
Reserves for Encumbrances, December 31	\$311,726	\$112,036	\$0	\$29,140	\$0	\$452,902

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

**VILLAGE OF CHARDON
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
THE PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$1,903,185			\$1,903,185
Miscellaneous	300			300
Total Operating Cash Receipts	1,903,485	\$0	\$0	1,903,485
Operating Cash Disbursements:				
Personal Services	637,234			637,234
Contractual Services	375,225			375,225
Supplies and Materials	88,757			88,757
Capital Outlay	624,137			624,137
Total Operating Cash Disbursements	1,725,353	0	0	1,725,353
Operating Income/(Loss)	178,132	0	0	178,132
Non-Operating Cash Receipts:				
Miscellaneous	95,828	387	44,093	140,308
Other Non-Operating Receipts	35,150		1,990,123	2,025,273
Total Non-Operating Cash Receipts	130,978	387	2,034,216	2,165,581
Non-Operating Cash Disbursements:				
Debt Service	12,600			12,600
Other Non-Operating Cash Disbursements		176	2,087,073	2,087,249
Total Non-Operating Cash Disbursements	12,600	176	2,087,073	2,099,849
Net Receipts Over/(Under) Disbursements	296,510	211	(52,857)	243,864
Fund Cash Balances, January 1	3,757,163	18,509	167,717	3,943,389
Fund Cash Balances, December 31	\$4,053,673	\$18,720	\$114,860	\$4,187,253
Reserve for Encumbrances, December 31	\$452,567	\$0	\$0	\$452,567

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

**VILLAGE OF CHARDON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Chardon, Geauga County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected seven-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services. The Village contracts with the Chardon Volunteer Fire Department Inc. to provide fire service and ambulance services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit, Federal Agency Securities, and U.S. Treasury Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire & Ambulance Operating Levy Fund - This fund receives property tax money to provide fire protection to Village residents.

VILLAGE OF CHARDON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

General Obligation Fund - This fund receives transfers from other funds for the repayment of general obligation bonds.

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Issue 2 Infrastructure Improvement Fund - This fund receives transfers from other funds for the purpose of improving the roads.

Municipal Facilities Capital Improvement Fund - This fund receives the proceeds of general obligation bonds. The proceeds are being used to construct a new municipal building.

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Municipal Court - This fund is used to account for the collection and distribution of court fines and fees.

Claim-Tort Fund - This fund is used to account for minor lawsuits settled by the Village.

VILLAGE OF CHARDON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund, except agency funds, be budgeted annually. The Village budgets for all funds except the Municipal Court Fund.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

VILLAGE OF CHARDON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ (8,917)	\$ (16,115)
Certificates of deposit	<u>605,000</u>	<u>1,105,000</u>
Total deposits	<u>596,083</u>	<u>1,088,885</u>
Federal Farm Credit Bank	1,500,202	0
Federal National Mortgage Association	1,479,057	1,000,156
Federal Home Loan Mortgage Corporation	991,353	972,848
Federal Home Loan Bank	995,572	1,214,398
U.S. Treasury Notes	994,570	498,125
STAR Ohio	<u>1,290,000</u>	<u>1,860,000</u>
Total investments	<u>7,250,754</u>	<u>5,545,527</u>
Total deposits and investments	<u>\$ 7,846,837</u>	<u>\$ 6,634,412</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: U.S. Treasury Notes and Federal Agency Securities are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,380,820	\$ 4,386,714	\$ 5,894
Special Revenue	1,654,840	1,688,109	33,269
Debt Service	215,000	215,000	0
Capital Projects	676,000	676,000	0
Enterprise	16,587,325	3,969,800	(12,617,525)
Fiduciary	<u>57,250</u>	<u>59,711</u>	<u>2,461</u>
Total	<u>\$ 23,571,235</u>	<u>\$ 10,995,334</u>	<u>\$(12,575,901)</u>

VILLAGE OF CHARDON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,419,736	\$ 4,829,989	\$ 589,747
Special Revenue	1,794,196	1,364,730	429,466
Debt Service	216,300	216,285	15
Capital Projects	705,140	110,306	594,834
Enterprise	17,439,872	16,716,608	723,264
Fiduciary	112,300	40,117	72,183
Total	<u>\$ 25,687,544</u>	<u>\$ 23,278,035</u>	<u>\$ 2,409,509</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,350,880	\$ 4,416,755	\$ 65,875
Special Revenue	1,473,340	1,504,294	30,954
Debt Service	215,000	215,000	0
Enterprise	1,985,300	2,034,463	49,163
Fiduciary	43,250	44,480	1,230
Total	<u>\$ 8,067,770</u>	<u>\$ 8,214,992</u>	<u>\$ 147,222</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,461,788	\$ 4,040,218	\$ 421,570
Special Revenue	1,794,579	1,522,644	271,935
Debt Service	215,000	214,940	60
Capital Projects	78,518	67,193	11,325
Enterprise	2,737,233	2,190,520	546,713
Fiduciary	162,600	93,608	68,992
Total	<u>\$ 9,449,718</u>	<u>\$ 8,129,123</u>	<u>\$ 1,320,595</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

VILLAGE OF CHARDON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

4. PROPERTY TAX (Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$ 324,471	4.56%
General Obligation Bonds	2,220,000	4.10%
Ohio Public Works Commission - Issue II	106,200	0.00%
Total	\$ 2,650,671	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$12,573,000 in loans to the Village for this project. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The repayment schedule has not yet been established for the loan.

The Ohio Public Works Commission (OPWC) loan relates to water main replacements for South Hambden and Wilson Mills streets. The South Hambden street loan will be repaid in semiannual installments of \$5,000 over 10 years. The Wilson Mills street loan will be repaid in semiannual installments of \$1,300 over 20 years.

The General Obligation Bonds relate to municipal building improvements.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obligation Bonds	OPWC Loans
2000	217,325	6,300
2001	213,050	12,600
2002	213,680	12,600
2003	213,980	12,600
Subsequent	2,579,940	62,100
Total	\$ 3,437,975	\$ 106,200

VILLAGE OF CHARDON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

8. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Chardon
Geauga County
111 Water Street
Chardon, Ohio 44024

To the Village Council:

We have audited the financial statements of the Village of Chardon, Geauga County, Ohio, (the Village) as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated May 3, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated May 3, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 3, 2000.

This report is intended for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 3, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

VILLAGE OF CHARDON

GEAUGA 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
JUNE 27, 2000**