

***CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY***

Audit Report

For the Year Ended June 30, 2005

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Board of Education
Chardon Local School District
428 North Street
Chardon, Ohio 44024

We have reviewed the *Report of Independent Accountants* of the Chardon Local School District, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. 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 Chardon Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 7, 2006

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CHARDON LOCAL SCHOOL DISTRICT
Audit Report
For the Year Ended June 30, 2005

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**OPINION ON SUPPLEMENTARY SCHEDULE
OF FEDERAL AWARDS EXPENDITURES**

**Board of Education
Chardon Local School District
Chardon, Ohio**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chardon Local School District (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated January 30, 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 conducted in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Chardon Local School District taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget, Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
January 30, 2006

CHARDON LOCAL SCHOOL DISTRICT, OHIO
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Receipts	Expenditures
U.S. Department of Agriculture				
Pass through Ohio Department of Education				
Nutrition Cluster:				
Food Distribution - Commodities - See Note 2	10.550	n/a	\$ 53,318	\$ 53,318
School Breakfast Program	10.553	47183-05PU-04/05	5,949	5,949
National School Lunch Program	10.555	47183-05LLP-04/05	<u>109,205</u>	<u>109,205</u>
Total Nutrition Cluster			<u>168,472</u>	<u>168,472</u>
			168,472	168,472
U.S. Department of Education				
Pass through Ohio Department of Education				
Title I - Financial Assistance to Meet Special Educational Needs of Disadvantaged Children				
Title I - FY05	84.010	47183-C1S1-05	<u>146,772</u>	<u>145,013</u>
Total Title I			146,772	145,013
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children				
IDEA - B - FY04	84.027	47183-6B-SF-03P	-	28,078
IDEA - B - FY05	84.027	47183-6BSF-05	<u>738,481</u>	<u>683,124</u>
Total Title VI - B			738,481	711,202
Drug - Free School Grant				
Title IV - SDFSC	84.186	47183-DRS1-04	2,810	2,672
Title IV - FY05	84.186	47183-DRS1-05	<u>9,695</u>	<u>9,500</u>
Total Drug - Free School Grant			12,505	12,172
Innovative Education Program Strategies				
Title V - FY04	84.298	47183-C2S1-04	1,823	2,222
Title V - FY05	84.298	47183-C2S1-05	<u>14,917</u>	<u>13,983</u>
Total Innovative Education Program Strategies			16,740	16,205
Reducing Class Size				
Title IID - FY04	84.318	47183-TJS1-04	2,235	2,235
Title IID - FY05	84.318	47183-TJS1-04	<u>907</u>	<u>1,010</u>
Total Reducing Class Size			3,142	3,245
Advanced Placement Program				
Title IG	84.330	AVTF-05	<u>208</u>	<u>208</u>
Total			208	208
Reducing Class Size				
Title IIA - FY05	84.367	47183-TRS1-05	<u>84,119</u>	<u>83,680</u>
Total Reducing Class Size			<u>84,119</u>	<u>83,680</u>
Total U.S. Department of Education			<u>1,001,967</u>	<u>971,725</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 1,170,439</u>	<u>\$ 1,140,197</u>

See Notes to the Schedule of Awards Expenditures

CHARDON LOCAL SCHOOL DISTRICT
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2005

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the District had immaterial food commodities in inventory recorded in the Food Service Fund.

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Certified Public Accountants

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**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**

**Board of Education
Chardon Local School District
Chardon, Ohio**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chardon Local School District (the District) as of and for the year ended June 30, 2005 which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2006, wherein we noted the District implemented GASB Technical Bulletin No. 2004-02, GASB Statement No. 40, and GASB Statement No. 45. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 caused by error or fraud 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.

Compliance and Other Matters

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

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

Charles E. Harris & Associates, Inc.
January 30, 2006

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

**Board of Education
Chardon Local School District
Chardon, Ohio**

Compliance

We have audited the compliance of the Chardon Local School District (the District) with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Charles E. Harris & Associates, Inc.
January 30, 2006

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY
June 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit, as of June 30, 2004, reported no material citations or recommendations.

Chardon Local School District, Ohio

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2005

Issued by:
Stephanie Swain, Treasurer
Treasurer's Office

Chardon Local School District, Ohio

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2005

Issued by:
Stephanie Swain, Treasurer
Treasurer's Office

Introductory Section

Chardon Local School District
Comprehensive Annual Financial Report
For the Year Ended June 30, 2005

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Chardon Local School District
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

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Chardon Local School District
Comprehensive Annual Financial Report
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Chardon Local School District

428 North Street
Chardon, Ohio 44024
Phone: (440) 285-4052

Administrative Offices



Pursuing Excellence

January 30, 2005

Board of Education Members
Chardon Local School District

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Chardon Local School District for the fiscal year ended June 30, 2005. This CAFR includes an opinion from Charles E. Harris and Associates, Inc. and conforms to generally accepted accounting principles as applicable to government entities. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School District. This report will provide the taxpayers of the Chardon Local School District with comprehensive financial data in a format which will enable them to gain an understanding of the School District's financial affairs. Copies will be made available to officials of the City of Chardon, the Village of Aquilla, the Chardon Township, Claridon, Hambden and Munson, the Geauga County Public Library, major taxpayers, financial rating services and other interested parties.

The Comprehensive Annual Financial Report is presented in three sections as follows:

1. The Introductory Section, which contains a Table of Contents, Letter of Transmittal, List of Principal Officials, Organizational Chart of the District and the GFOA Certificate of Achievement.
2. The Financial Section which begins with the Report of Independent Accountants and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the School District's financial position and operating results, the Combining Statements by fund type, and other statements that provide detailed information relative to the Basic Financial Statements.
3. The Statistical Section, which presents social and economic data, financial trends and fiscal capacity of the District.

The School District

Chardon Local School District is located in northeastern Ohio, approximately 40 miles east of Cleveland. The District includes the City of Chardon, the Village of Aquilla and the Townships of Munson, Hambden, Chardon and part of Claridon.

Chardon is one of seven school districts located in Geauga County. Approximately 5,000 people live in Chardon, while over 90,895 reside in surrounding Geauga County. When Chardon was established as a Western Reserve community, the pioneers, who mainly came from New England, modeled their new existence after their New England heritage. The settlers showed the importance they attached to common school education from which they had received so much benefit. They implemented voluntary associations for district schools wherever a sufficient number of youths and children could be gathered. Classes were held in homes, and schoolhouses were built before any legal organizations were affected. The townships were geographically scattered, and because travel was restrictive, the pioneers created several small primary grade schools in each township and village for the local students. In 1908, Chardon High School was built on the Chardon Square and the townships sent their children to this institution for secondary education. Around 1957 the townships merged their grade schools to become what is currently the Chardon Local School District. The District consists of one high school, one middle school, four elementary schools, one administration building and one garage.

Chardon School District is one of the 612 school districts in the State of Ohio. The District provides education to 3,272 students in grade K-12, including special education services to 375 students.

Statutorily, the District operates under the standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 of the Ohio Revised Code, to provide education services mandated by the State and Federal agencies.

The Board of Education of the Chardon Local School District is an elected five member body, as defined by Section 3313.02, Ohio revised code. The Board serves as the taxing authority, contracting body, policy maker, and ensures that all other general laws of the State of Ohio are followed in the expenditure of the District's tax dollars and approves the annual appropriation resolution and tax budget.

The board members of June 30, 2005 were as follows: Blake Rear, Bob Faehnle, Bonnie Clemson, Larry Reiter, and Ted Jones.

The Superintendent is the chief administrative officer of the District, responsible directly to the Board for operations. Dr. Jane Hayman was appointed as Superintendent effective July 11, 1994.

The Treasurer is the chief financial officer of the District, responsible directly to the Board for maintaining all financial records, maintaining custody of all District funds and assets, and investing idle funds as specified by Ohio law. Stephanie C. Swain was appointed Treasurer effective January 12, 2004.

The Reporting Entity and Services Provided

The Chardon Local School District has reviewed its reporting entity definition in order to insure conformance with the Governmental Accounting Standards Board Statement No.14, "The Financial Reporting Entity." In evaluating how to define the School District for financial reporting purposes, management has considered all agencies, departments and organizations making up the Chardon Local School District (the primary government) and its potential component units.

Excluded from the reporting entity because they are fiscally independent of the School District are the City of Chardon, Village of Aquilla, Chardon, Hambden, Claridon and Munson Townships, the Geauga County Library, the Parent Teacher Organizations and the nonpublic schools.

The School District participates in five jointly governed organizations and one insurance purchasing pool. These organizations are the Lake Geauga Computer Association, the Ohio Schools' Council, the Auburn Career Center, the East Shore Center, the East Shore Regional Transportation System and the Ohio School Boards Association Worker's Compensation Group Rating Program. These organizations are presented in Notes 14 and 15 to the Basic Financial Statements.

A complete discussion of the School District's reporting entity is provided in Note 1 to the Basic Financial Statements.

Economic Condition and Outlook

The School District is located near the intersections of Route 90 and Route 44 about 40 miles east of Cleveland. The School District is home to many young families with incomes and housing values that are above state and county averages. Residential property is upper middle class, and properties are well kept. The Chardon area also encompasses a diverse and growing mix of commercial and light industrial properties. Major employers include Chardon Rubber, Eltech System Corporation and Litton Industrial Automation.

The School District is very fortunate in that the tax base continues to grow as more and more land is developed for housing and business. The District anticipates the assessed valuations to increase every year. For calendar year 2004, the District's assessed valuation was \$583,742,380 and for calendar year 2003 it was \$571,220,300.

Contrary to popular belief, the School District does not benefit financially in comparison to the percentage increases to assessed valuation from year to year. Rather, the School District benefits significantly less due to House Bill 920, which was passed in 1976. House Bill 920 prohibits school districts from realizing additional revenue from previously voted millage due to reappraisal of existing property values. Thus, a district must obtain approval of voters for additional revenue through tax levies. Fortunately for the Chardon Local School District, voters have been extremely supportive of operating levies. This was evident in March of 2000, as voters approved a continuing operating levy of 4.78 mills. Voters in the District have approved

continuing tax levies of 5.5 mills, 4.9 mills, 5.5 mills, 7.3 mills and 5.8 mills in 1977, 1982, 1987, 1989, and 1995 respectively.

Of the School District's general fund operations, 68 percent of the general fund revenue comes from real estate taxes on residential, commercial and industrial properties and tangible personal property taxpayers with 30 percent being received from various forms of State aid including reimbursement of homestead and rollback reductions on property taxes. The rest were investment earnings, tuition and fees, extracurricular activities, classroom materials and fees, and other revenues.

The School District maintains a strategic fiscal plan, which incorporates the State required five-year plan. The current long-term fiscal plan reflects a negative cash balance during the 2006 fiscal year. The School District has a long history of local support. Continued voter support, and a healthy tax base are crucial to the long-term financial health of the School District.

Major Initiatives

The Chardon Local District is excited about the future. Voters approved a 4.78 mill operating levy in March of 2000. With the success of this issue, the District was able to accomplish a number of initiatives in the area of curriculum development, programming, and student services. Our Strategic Planning was initiated in 1995 and was completed in 2000 and the second cycle of long range strategic planning was begun in 2001 and will continue to 2006.

During the planning stages for the Strategic Plan, major efforts were geared toward developing, improving, and refining educational services to improve students' academic success.

Specifically:

- Curriculum Process Model
- Assessment in all subject areas Grades K-12
- Technology that is integrated with the instructional areas
- Implemented curriculum in mathematics using NCTM standards
- Hands-on science curriculum and materials introduced at elementary grade levels and expanded through the middle and high school grade levels
- Additional communications and meetings throughout the District for parents and members of the community
- Continued staff development opportunities developed from the curriculum development process and building level CIP committees
- Intervention assistance for Proficiency Tests at all levels
- Parent organizations and opportunities for involvement at all levels
- Upgrading technology at all levels. This includes both management and instructional usage
- Business Advisory Council
- Chardon Schools Foundation
- New Gifted, Art, Foreign Language and Library Media Curriculums
- Community Service Projects developed at all levels
- Career education opportunities and resources at all levels

- New K-12 Math, Language Arts, and other core subject areas.
- Park School recognized as Hall of Fame School
- Munson School recognized as Hall of Fame School
- Middle School recognized as a National Blue Ribbon School
- National Principal of the year – Adda Porter, Munson Elementary
- Superintendent’s Award for Exemplary Educational Leadership – State Level
- District selected as School Match School for what Parents want in schools
- Nursing support at all buildings
- Upgraded all school facilities, both inside and outside, within current operating budget
- District continues an Excellent Rating on the State Report Card
- Strategic Plan developed for long-term goals of the District

Outlook for the Future

For the future, the School District’s overall focus will be to continue to improve the educational program for the benefit of students, parents and community residents. The process involves assessing current programs, identifying strengths and weaknesses, developing and implementing new courses of action, and evaluating the results.

Guiding the way will be the School District’s Strategic Plan. Initially developed in 1994 with input from more than 200 people, including parents, volunteers, students, school administrators, teachers, classified staff members, representatives from business, industry and the community at large, the plan provides the framework to move the District into the 21st century. Many of the initiatives for this school year are outgrowths of our Strategic Plan. Specific initiatives for 2004-05 were as follows:

Technology

- Maintain the WWW portal for the school system
- Teach and enforce the legal use of software
- Repair/replace equipment on an as-needed basis and return in timely manner
- Familiarize staff with hardware and software for curricular area acquired in conjunction with Course of Study revisions.
- Provide increased and continuous inservice options
- Acquire and upgrade audio/visual equipment to complement the curriculum
- Provide the necessary supplies to support the technology used throughout the School District
- Obtain alternative funding for technology (e.g., One Net, Erate)
- Provide a sufficient number of licensed copies of all the standard software used within the District for both management and classroom applications.
- Maintain the network and server on a continuous basis
- Explore options for paperless communication
- Encourage increased use of e-mail for parent/student/school communication

Curriculum

- Oversee the implementation, including staff development, of Language Arts Course of Study and Foreign Language Course of Study and changes needed to prepare for the OGT.
- Identify the curricular area(s) to be developed or revised during 2005-2006.
- Establish a yearly budget for curriculum development or revision, including money for teacher release time, textbooks, and materials.
- Form Curriculum Core Committees for studying K-12 Library Media, Social Studies, and Health.
- Begin process for selection of instructional materials which best allow teachers to follow the curriculum and teach to a variety of learning styles.
- Purchase newly adopted texts/instructional materials
- Supervise the suggested timeline for curriculum development/revision so tasks are accomplished in a timely fashion with ample time for teachers to prepare to teach the new material.
- Provide professional development for staff on legal, and mission statement mandates, acceptance of diverse needs and strategies and techniques for teaching special education students in the regular classroom in order to improve instruction for all students.

Partnerships

- Continue to strengthen partnerships with social service agencies
- Promote diversity awareness and sensitivity at all grade levels by establishing partnerships with diverse populations.
- To increase public participation in school activities and promote a sense of Cooperation. Admit, at no charge, Chardon District senior citizens to all school functions.
- Offer after-school classes for parents and students.
- Increase parent-teacher partnerships to assure student academic success.
- Increase partnerships between Chardon's elementary schools and the local early childhood educators.

Communications

- Using appropriate software, maintain a district-wide system of scheduling/calendar that coordinates activities with other buildings and school organizations to decrease parent confusion in trying to attend overlapping activities.
- Maintain the currency of the district website by providing current information as a way to improve communication. A link for the five-year forecast and Comprehensive Annual Financial Report has been created to address financial questions.
- Evaluate the effectiveness of the student-staff parent suggestion boxes in all buildings.

- Create a “key communicators” email network that will keep business and community leaders abreast of district news.
- Publish a newsletter to semiannually update all employees of the district’s progress on the implementation and update of the strategic plan.
- Refine and communicate the problem resolution system that addresses school-related parental concerns.
- Develop materials that reinforce and tell the school district’s story and expectations
- Develop programs to celebrate the success and achievement of teachers and support staff.

Safe Schools

- Install a two-way communication between the classrooms and the office at all elementary buildings.
- Establish and implement an annual school inspection of all furniture and equipment in and around each facility for determination of repair or replacement in order to provide a safe, injury-free learning and working environment.
- Implement an annual accident review and report for each building in order to identify and eliminate recurring problem areas.
- Review, update and continue to modify all safety plans in the district.

Facilities

- Maximize the current use of our facilities
 - Convert tech lab to science classes at High School
 - Continue to monitor student enrollments and facility options
 - Improve athletic facilities/fields
- Continue to communicate the need for additional space to educate the students of Chardon.
- Improve handicapped accessibility to approach ADA standards.
- Continue to renovate Munson Elementary to update it for continued use as an elementary school building.
- Develop and complete a master plan on facilities for the Chardon School District.

Service Efforts

Preparing students to be responsible adults is an important tenet of the School District’s mission to prepare students to be good citizens. Students are encouraged to work collaboratively with their communities in a variety of ways. For example, students sponsor food and clothing drives for needy families, perform musical selections for residents of local nursing homes, and create artwork to brighten the rooms of residents at a local hospice. Other examples of students’ community service efforts during the last school year are as follows:

- Gold Card - recognizing Senior Citizens
- Students partnerships with Heather Hill
- Jump Start to Reading Program for pre-school children
- Jump Start for Heart Program at elementary schools
- Students participate in HANDS Program
- Students involved in grounds clean-up
- WomenSafe - student participation
- Veterans Day Activities
- United Way fundraising drive
- Hunger Task Force
- Coats for Kids at Middle School
- Holiday projects for needy - all schools
- Landscaping projects throughout the District
- Walk for Diabetes
- Partnership with YMCA

Financial Information

Internal Accounting and Budgetary Control

In developing the School District's accounting system much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The School District utilizes a fully automated accounting system as well as an automated system for payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensure that the financial information generated is both accurate and reliable.

At the beginning of each fiscal year, the Board of Education adopts either a temporary appropriation measure or a permanent appropriation measure for that fiscal year. If a temporary appropriation measure is first adopted, the permanent appropriation measure must be adopted upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates, which is usually within the first three months of the fiscal year.

Annual appropriations may not exceed the County Budget Commission's official estimate of resources. The County Auditor must certify that the Board of Education's appropriation measures, including any supplements or amendments, do not exceed the amount set forth in the latest of those official estimates.

All disbursements and transfers of cash between funds require appropriation authority from the Board. Budgets are controlled at the fund level. All purchase order requests must be

approved by either the Superintendent or Assistant Superintendent and certified by the Treasurer; necessary funds are then encumbered and purchase orders released to vendors. Those requests that exceed the available appropriation are rejected until additional appropriations are secured.

The accounting system used by the School District provides interim financial reports which detail year-to-date expenditures and encumbrances versus the original appropriation plus any additional appropriations made to date.

Each administrator and school principal is furnished monthly reports showing the status of the budget accounts for which they are responsible. In addition, an on line inquiry system is available at each cost center site. As an additional safeguard, all employees are covered by a blanket bond, and certain individuals in policy-making roles are covered by a separate, higher limit bond.

The basis of accounting and the various funds and account groups utilized by Chardon Local Schools are fully described in Note 2 of the financial statements. Additional information on the School District's budgetary accounting can also be found in Note 2.

Financial Condition

This is the fourth year the School District has prepared financial statements following GASB Statement 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." GASB 34 creates new basic financial statements for reporting on the School District's financial activities as follows:

Government-wide financial statements These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by businesses. The government-wide statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District had no business-type activities for fiscal year 2005.

Fund financial statements These statements present information for individual major funds rather than fund type. Non-major funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliations to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparisons These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by the law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of the new reporting model, management is responsible for preparing a Discussion and Analysis of the School District. This discussion follows this letter of transmittal, providing an

assessment of the School District's finances for 2005. Because that discussion focuses on major funds, other non-major funds are discussed briefly in this letter.

Financial Highlights – Internal Service Fund The only internal service fund carried on the financial records is related to self-insurance. This fund accounts for the revenues and expenses is related to the provision of dental and medical benefits to the School District employees. The School District has implemented a medical self-insurance program. The internal service fund had net assets of \$585,068 at June 30, 2005 compared with net assets of \$541,880 at June 30, 2004, reflecting a net increase of \$43,188.

Financial Highlights – Fiduciary Funds The trust fund carried on the financial records of the School District is a private purpose trust that has net assets totaling \$149,766 at June 30, 2005.

Cash Management

The Board has established a cash management program that expedites the collection of local and state funds through electronic fund transfer and daily deposits. Funds deposited in local financial institutions are insured by the Federal Deposit Insurance Corporation as well as collateralized by investments in instruments issued by the United States Government or the State of Ohio. The total amount of interest earned for the year ended June 30, 2005 was \$141,000 of which \$129,668 was credited directly to the general fund.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The market value of the pooled collateral must be equal to at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Risk Management

The School District manages the medical, dental and prescription drug benefits for its employees on a self-insured basis. A third party administrator processes and pays the claims. Unobligated reserves at June 30, 2005 are sufficient to meet claim obligations.

The School District uses the State Workers' Compensation plan and pays the premium base on a rate per \$100 of salaries. The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program. See Note 15 of the Basic Financial Statements.

The School District maintains general liability insurance, professional liability insurance, fleet insurance, and insurance on buildings and contents with Westfield Companies and Indiana Insurance Company. See Note 9 of the Basic Financial Statements for more information.

Pension Plans

All School District employees are covered by the statewide School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System (STRS) with the exception of Board of Education members who have chosen to participate in Social Security. The School District's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the School District to pay the employer share as determined by each retirement system. See Notes 11 and 12 to the Basic Financial Statements for complete details.

Independent Audit

State statutes require the School District to be subjected to an annual examination by an independent auditor. An annual audit serves to maintain and strengthen the School District's accounting and budgetary controls. Independent auditor Charles E. Harris & Associates, Inc. was selected to render an opinion on the School District's financial statements for the year ending June 30, 2005. The opinion appears in the financial section of this report.

Pursuant to statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all governments in Ohio. The School District adopted and has been in conformance with that system beginning with its financial report for the 1981 fiscal year.

Awards

Student Awards

Chardon Local School District is proud of its students for their accomplishments. In past years, some of our outstanding achievements included:

- Park Elementary School - Hall of Fame Award
- Munson Elementary School – Hall of Fame Award
- Learn and Serve Partnership Grant
- School Match Award - Top 12% of schools nationwide for sixth year. “What Parents Want” Award
- Middle School National Blue Ribbon School
- Adda Porter – National Principal of the Year
- Jane Hayman – Exemplary Educational Leadership – BASA.
- Various awards and grants through Partnerships with Business and Industry to recognize both students and teachers.
- Recognized as “Excellent” school district by the State of Ohio

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Chardon Local School District for its comprehensive annual financial report for the year ended June 30, 2004. This was the sixth consecutive year that the School District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

The publication of this report continues the School District's commitment to professionalism in financial reporting. The accomplishment of this report would not have been made possible without the assistance, support and efforts of the School District's administration. Assistance from the Geauga County Auditor's Office staff, specifically Jeff Nokes, made possible the fair presentation of the statistical data.

Finally, sincere appreciation is extended to the Board of Education for their support with this project.

Respectfully submitted,

Stephanie C. Swain
Treasurer

Joseph Bergant II
Superintendent

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Chardon Local School District,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjella

President

Jeffrey R. Egan

Executive Director

Chardon Local School District

Principal Officials

June 30, 2005

Board of Education

Mr. Larry Reiter..... President
Mrs. Bonnie Clemson..... Vice-President
Mr. Robert Faehnle..... Member
Mr. Blake Rear..... Member
Mr. Ted Jones..... Member

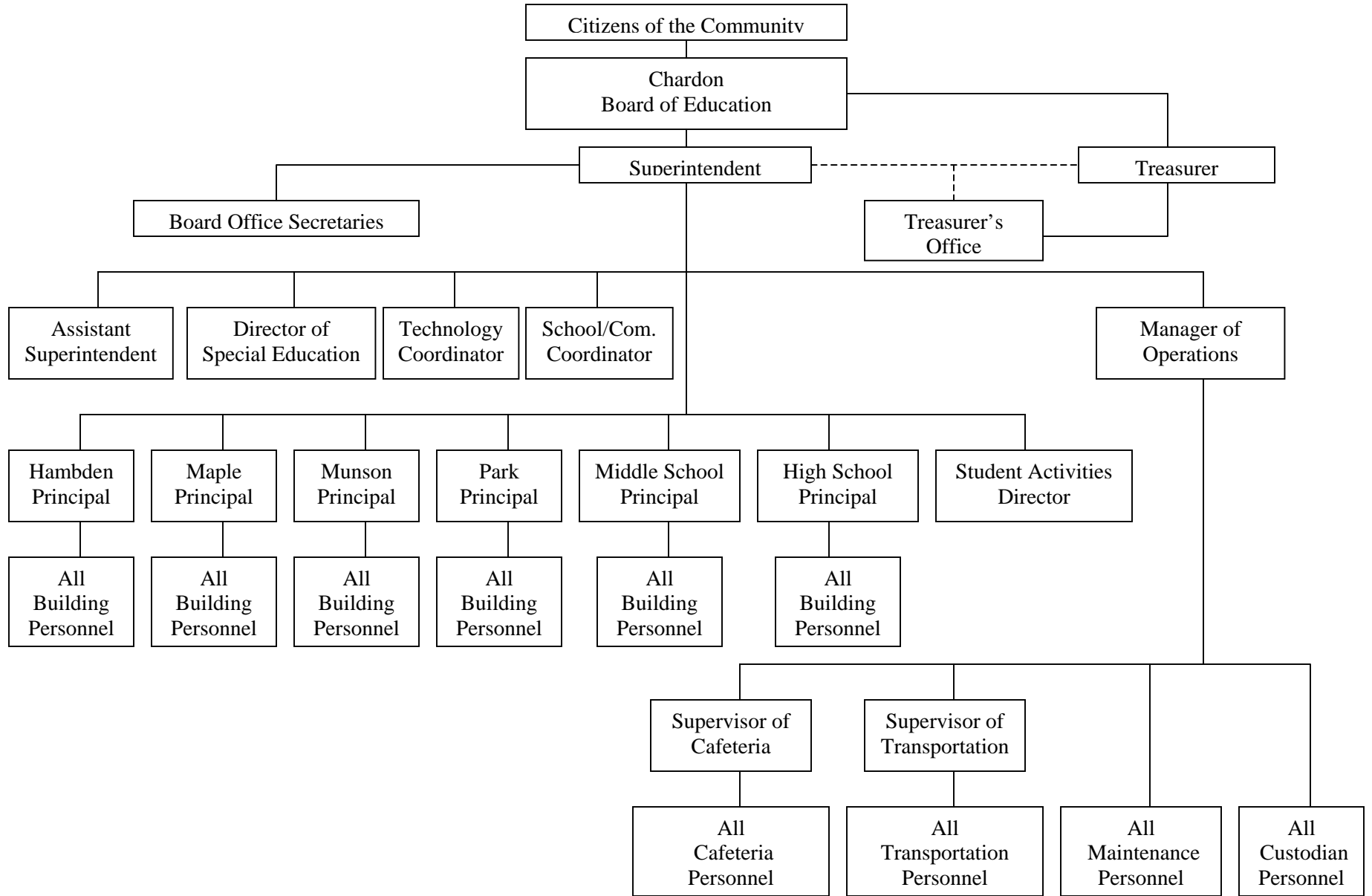
Treasurer

Ms. Stephanie Swain

Administration

Dr. M. Jane Hayman..... Superintendent
Dr. Randy Continenza..... Assistant Superintendent
Mr. Dana Stearns..... Manager of Operation

CHARDON LOCAL SCHOOL DISTRICT ORGANIZATIONAL CHART



Financial Section

REPORT OF INDEPENDENT ACCOUNTANTS

**Board of Education
Chardon Local School District
Chardon, Ohio**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chardon Local School District, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

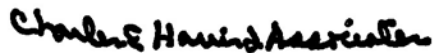
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Chardon Local School District, Ohio as of June 30, 2005, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 20 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2 *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*, GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of the internal control over financial reporting and on compliance and on the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read in conjunction with this report in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express not opinion on them.



Charles E. Harris & Associates, Inc.
January 30, 2006

Chardon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of Chardon Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5.4 million (net assets). Of this amount, \$2.7 million (unrestricted net assets) may be used to meet the District's ongoing obligations to residents and creditors.
- The District's total net assets decreased by \$0.21 million. Most of this decrease is attributable to increase in expenses in fiscal year 2005.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3.2 million, a decrease of \$0.3 million in comparison with the prior year. Only \$0.3 million reported in special revenue funds and capital projects fund is available for spending at the District's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was negative \$1.6 million. This is due to \$3.2 million of taxes being reserved based on the general accepted accounting principles.

Overview of the Financial Statements

The discussion and analysis and analysis are intended to serve as an introduction to the District's basic financial statements. The District's financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide reader with a broad overview of the District's finances, in a manner similar to a private-sector business.

Chardon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned by unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instruction, support services, operation of non-instructional services, and extracurricular activities. The District had no business-type activities for the year ended June 30, 2005.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like the state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Chardon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains nineteen individual government funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be the major fund. Data from the other twenty-two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic fund financial statements can be found on pages 18-22 of this report.

Proprietary Funds The internal service fund is an accounting device used to accumulate and allocate costs internally amount the District's various functions. The District uses its internal service fund to account for its healthcare costs. Because this service predominantly benefits governmental functions, they have been included within governmental activities in the government-wide statements.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these fund is not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds.

The basic fiduciary fund financial statements can be found on pages 26-27 of this report.

Chardon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Notes to the Financial Statements. The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-54 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents the combining statements. The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on page 55-92 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5.4 million at the close of the most recent fiscal year.

Approximately half of the District's net assets (49 percent) reflect its unrestricted net assets. The District uses these unrestricted net assets to meet ongoing obligations to the residents and creditors. Forty-eight percent of the net assets are investment in capital assets (e.g., land, building, machinery and furniture, vehicles). The District uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

An additional portion of the District's net assets, \$179,271, represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for the governmental and business-type activities. The same situation held true for the prior fiscal year.

Chardon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Chardon Local School District's Net Assets
(In Millions)

	Governmental Activities	
	2004	2005
Assets:		
Current and Other Assets	\$ 18.54	\$ 18.18
Capital Assets	2.64	2.56
<i>Total Assets</i>	21.18	20.74
Liabilities:		
Current Liabilities	13.29	13.60
Long-term Liabilities	2.29	1.74
<i>Total Liabilities</i>	15.58	15.34
Net Assets:		
Invested in Capital Assets	2.64	2.56
Restricted	0.01	0.18
Unrestricted	2.95	2.65
<i>Total Net Assets</i>	\$ 5.60	\$ 5.39

The District's net assets decreased by \$0.2 million during the current fiscal year. All of this represents the degree to which increases in ongoing expenses have outstripped similar increases in ongoing revenues.

Governmental Activities

Governmental activities decreased the District's net assets by \$0.2 million, thereby accounting for four percent of the total decline in net assets of the District. Key elements of this decrease are as follows:

- Property taxes increased by \$700 thousand (4 percent) during the year. Most of this increased is the product of a general tax levy for general fund that totaled \$17.7 million.
- Operating grants for governmental activities decreased by \$437 thousand, mostly as a result of a decrease funding in state and federal programs during the current fiscal year.

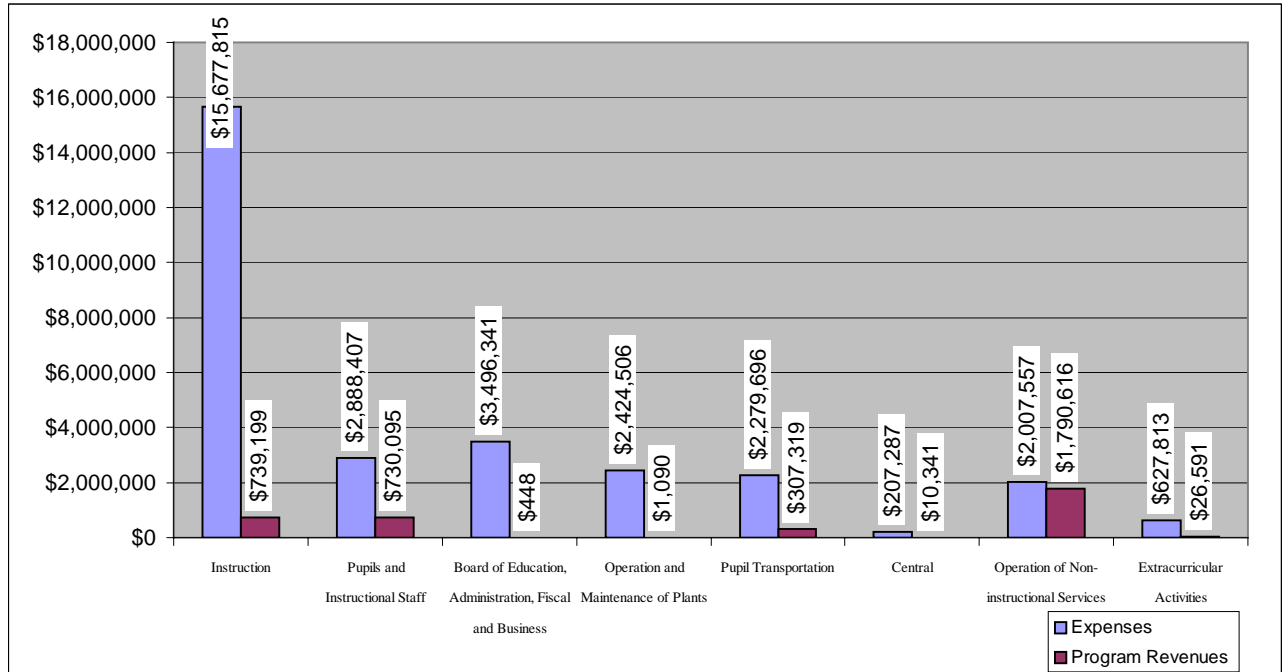
Chardon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Chardon Local School District
Changes in Net Assets

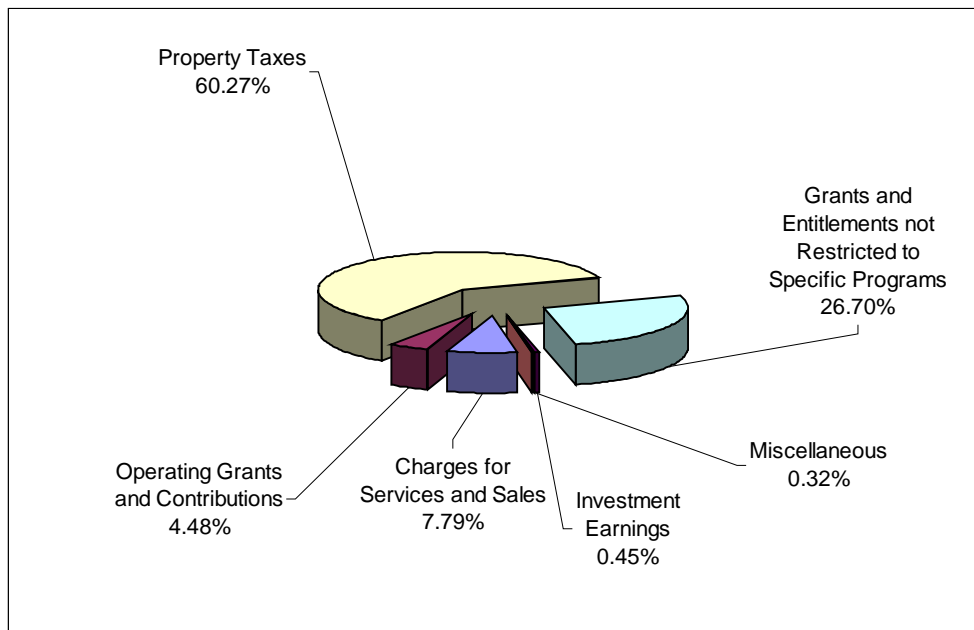
	Governmental Activities	
	2004	2005
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$ 1,360,079	\$ 2,289,935
Operating Grants and Contributions	1,801,597	1,315,764
Capital Grants and Contributions	34,550	-
General Revenues:		
Property Taxes	17,019,271	17,719,020
Grants and Entitlements	8,286,068	7,849,437
Investment Earnings	67,045	132,730
Miscellaneous	193,768	94,179
Total Revenues	28,762,378	29,401,065
Expenses:		
Instructions:		
Regular	11,664,536	12,126,287
Special	2,729,466	2,836,763
Vocational	270,495	288,599
Adult/Continuing	8,387	8,702
Other	287,605	417,464
Support Services:		
Pupils	1,397,641	1,546,627
Instructional Staff	1,139,146	1,341,780
Board of Education	40,053	16,369
Administration	2,196,666	2,362,960
Fiscal	843,137	777,657
Business	350,333	339,355
Operation and Maintenance of Plant	2,556,721	2,424,506
Pupil Transportation	2,110,543	2,279,696
Central	136,260	207,287
Operation of Non-instructional Services	1,876,670	2,007,557
Extracurricular Activities	675,547	627,813
Total Expenses	28,283,206	29,609,422
Increase (Decrease) in Net Assets		
before Transfers	479,172	(208,357)
Transfers	614	-
Changes in Net Assets	479,786	(208,357)
Beginning Net Assets, Restated (See Note 20)	5,121,634	5,601,420
Ending Net Assets	\$ 5,601,420	\$ 5,393,063

Chardon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Expenses and Program Revenues – Governmental Activities



Revenues by Sources – Governmental Activities



Chardon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

- While charges for services and sales increased by \$930 thousand due to increase in sales, operating grants decreased by \$486 thousand due to decrease in state and federal funding.

For the most part, the increase in expenses outpaced the inflation and growth in the demand for services. The expenses increased by \$1.3 million in comparison to prior year fiscal year. Approximately 54 percent and 40 percent of the increase in expenses occurred in instruction and support services, respectively.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 60 percent of revenue for governmental activities for Chardon Local School District in fiscal year 2005, a slight decrease from prior years.

Financial Analysis of the Governmental Funds

Governmental Funds. Information about the District's governmental funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$29.6 million and expenditures of \$29.9 million. The total governmental fund balance decreased \$0.3 million. The net change in governmental fund balance for the year was most significant in the general fund, where the general fund's fund balance decreased by \$324,247 for fiscal year 2005.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was negative \$1.6 million, while total fund balance dropped to \$2.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents negative 6 percent of total general fund expenditures, while total fund balance represents 10 percent of that same amount.

Key factors in this decreased of fund balance for the general fund is as follows:

- The total revenues increased by \$0.3 million comparing to the prior year. Most of the increase occurred in property taxes.

Chardon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

- A \$1.2 million increase of expenditures compared to the prior year, \$0.7 million was taking place in instruction and \$0.5 was in supporting services.

General Fund Budgeting Highlights

The 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 the course of fiscal year 2005 the District amended its general fund budget numerous times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis revenue was \$25.1 million, over the original budget estimate of \$24.8 million. Of this \$0.3 million difference, personal property tax revenue was approximately \$0.6 million over original estimates while intergovernmental revenue was approximately \$0.3 million under the original estimates. These two revenue line items fluctuate year to year and are budgeted on a conservative basis to avoid revenue overestimations.

The difference between the original budget appropriations and the final amended budget appropriations of the general fund were approximately \$1.3 million. Most of the increase occurred in instruction and support services, which amount to \$731 thousand and \$552 thousand respectively.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2005, amount to \$2.6 million (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment, furniture and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was 2.9 percent.

Major capital asset events during the current year included the following:

- The capital assets, which were previously reported under business-type activities, were included in the governmental activities in fiscal year 2005.
- While \$6,250 of building and improvement, \$124,647 of equipment and furniture, and \$227,921 of vehicles were added, \$435,681 of depreciation also added during the current fiscal year.

Chardon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

- \$598,232 of computer and other equipment and \$31,359 of vehicles were disposed. All of them had been fully depreciated.

**Chardon Local School District's Capital Assets
(Net of Depreciation)**

	Governmental Activities	
	2004	2005
Land and Improvements	\$ 609,612	\$ 609,612
Buildings and Improvements	936,804	845,215
Furniture/Equipment/Fixtures	377,515	318,179
Vehicles	714,946	789,008
 Total Capital Assets, Net	 \$ 2,638,877	 \$ 2,562,014

Additional information on the District's capital assets can be found in note 7 of the basic financial statements.

Debt. Currently, the District does not have any debt obligations or judgments levied against it.

Current Financial Related Activities

Chardon Local School District is strong financially. As the preceding information shows, the District heavily depends on its property taxpayers. With the passage of a 4.78 mill operating levy and collection beginning January 2003 the District has been able to continue its education programs. However, financially the future is not without challenges.

While the District was successful in increasing its tax revenue base in 2000, this increase is a one-time increase. State law fixes the amount of this increase, forcing it to remain nearly constant. Thus, management must diligently plan expenses, staying carefully within the District's five-year forecast.

Declining state foundation payments due to increased property valuations provide no significant increase in future revenues. This decline is due to the increasing valuation charge-offs in determining state foundation payments. The increases in property tax revenues are almost offset to decreases in state foundation payments. With its major sources of revenue not keeping pace with expenditure increases, the District must seek additional tax revenues to continue current operations. However, the District cannot look to the State of Ohio for increased revenue.

Chardon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations. Virtually, no additional state revenue will be available to Chardon Local School District. Thus, both taxes and state revenue are fixed or declining.

The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Chardon Local School District has committed itself to financial excellence for many years. The District has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting since 1999. This report represents the fourth report using this new financial reporting model (GASB 34).

In addition, the District's system of budgeting and internal controls is well regarded. All of the District's financial abilities will be needed to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Stephanie Swain, Treasurer at Chardon Local School District, 428 North Street, Chardon, Ohio 44024.

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Chardon Local School District
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,476,170
Cash and Cash Equivalents in Segregated Accounts	71,789
Receivables:	
Accounts	36,083
Intergovernmental	18,625
Taxes	14,404,740
Inventory Held for Resale	4,949
Materials and Supplies Inventory	163,188
Nondepreciable Capital Assets	609,612
Depreciable Capital Assets, Net	1,952,402
 <i>Total Assets</i>	 20,737,558
Liabilities	
Accounts Payable	174,977
Accrued Wages and Benefits	1,645,359
Intergovernmental Payable	204,022
Pension Obligation Payable	649,345
Unearned Revenue	10,928,166
Long-Term Liabilities:	
Due Within One Year	562,973
Due More Than One Year	1,179,653
 <i>Total Liabilities</i>	 15,344,495
Net Assets	
Invested in Capital Assets	2,562,014
Restricted for:	
Capital Projects	30,135
Other Purposes	149,136
Unrestricted (Deficit)	2,651,778
 <i>Total Net Assets</i>	 \$ 5,393,063

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

Chardon Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Instruction:			
Regular	\$ 12,126,287	\$ 118,631	\$ 144,176
Special	2,836,763	137,944	325,145
Vocational	288,599	-	-
Adult/Continuing	8,702	-	13,303
Other	417,464	-	-
Support Services:			
Pupils	1,546,627	100,549	513,247
Instructional Staff	1,341,780	112,159	4,140
Board of Education	16,369	-	-
Administration	2,362,960	-	-
Fiscal	777,657	448	-
Business	339,355	-	-
Operation and Maintenance of Plant	2,424,506	-	1,090
Pupil Transportation	2,279,696	230,154	77,165
Central	207,287	-	10,341
Operation of Non-Instructional Services	2,007,557	1,563,459	227,157
Extracurricular Activities	627,813	26,591	-
<i>Total Governmental Activities</i>	<u>29,609,422</u>	<u>2,289,935</u>	<u>1,315,764</u>

General Revenues:
Property Taxes Levied for:
 General Purposes
 Grants and Entitlements not Restricted to Specific Programs
 Investment Earnings
 Miscellaneous

Total General Revenues

Changes in Net Assets

Net Assets Beginning of Year, Restated (See Note 20)

Net Assets End of Year

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

Net (Expense) Revenue
and Changes in Net Assets

Total

\$	(11,863,480)
	(2,373,674)
	(288,599)
	4,601
	(417,464)
	(932,831)
	(1,225,481)
	(16,369)
	(2,362,960)
	(777,209)
	(339,355)
	(2,423,416)
	(1,972,377)
	(196,946)
	(216,941)
	(601,222)
	<u>(26,003,723)</u>

\$	17,719,020
	7,849,437
	132,730
	94,179
	<u>25,795,366</u>
	(208,357)
	<u>5,601,420</u>
\$	<u><u>5,393,063</u></u>

Chardon Local School District
Balance Sheet
Governmental Funds
June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,528,482	\$ 582,157	\$ 2,110,639
Receivables:			
Taxes	14,404,740	-	14,404,740
Accounts	35,997	86	36,083
Intergovernmental	-	18,625	18,625
Interfund Receivable	48,327	-	48,327
Inventory Held for Resale	-	4,949	4,949
Materials and Supplies Inventory	161,882	1,306	163,188
Restricted Assets:			
Cash and Cash Equivalents	568,753	-	568,753
<i>Total Assets</i>	16,748,181	607,123	17,355,304
Liabilities			
Accounts Payable	158,190	16,787	174,977
Accrued Wages and Benefits	1,632,279	13,080	1,645,359
Compensated Absences Payable	229,325	-	229,325
Pension Obligation Payable	621,089	28,256	649,345
Interfund Payable	-	48,327	48,327
Intergovernmental Payable	203,980	42	204,022
Deferred Revenue	11,186,628	-	11,186,628
<i>Total Liabilities</i>	14,031,491	106,492	14,137,983
Fund Balances			
Reserved for:			
Encumbrances	514,705	179,058	693,763
Property Taxes	3,218,112	-	3,218,112
Budget Stabilization	422,342	-	422,342
Unreserved:			
Designated:			
Board Designated for Budget Stabilization Allocation	146,411	-	146,411
Undesignated, Reported in:			
General Fund	(1,584,880)	-	(1,584,880)
Special Revenue Funds	-	291,438	291,438
Capital Projects Fund	-	30,135	30,135
<i>Total Fund Balances</i>	2,716,690	500,631	3,217,321
<i>Total Liabilities and Fund Balances</i>	\$ 16,748,181	\$ 607,123	\$ 17,355,304

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

Chardon Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2005*

Total Governmental Fund Balances	\$	3,217,321
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,562,014
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes		258,462
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		585,068
Long-term liabilities, including bonds, payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences		<u>(1,229,802)</u>
<i>Net Assets of Governmental Activities</i>	\$	<u><u>5,393,063</u></u>

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

Chardon Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 17,744,778	\$ -	\$ 17,744,778
Intergovernmental	7,849,437	2,234,229	10,083,666
Interest	129,668	8,280	137,948
Tuition and Fees	137,944	36,411	174,355
Extracurricular Activities	37,725	278,211	315,936
Food Service	-	633,269	633,269
Classroom Materials and Fees	146,968	33,505	180,473
Miscellaneous	82,087	70,309	152,396
	Total Revenues	3,294,214	29,422,821
Expenditures			
Current:			
Instruction:			
Regular	11,975,399	177,935	12,153,334
Special	2,490,188	349,595	2,839,783
Vocational	284,668	-	284,668
Adult/Continuing	-	8,702	8,702
Other Instruction	417,464	-	417,464
Support Services:			
Pupils	1,074,646	567,723	1,642,369
Instructional Staff	1,296,607	8,379	1,304,986
Board of Education	16,369	-	16,369
Administration	2,383,479	2,307	2,385,786
Fiscal	775,290	-	775,290
Business	337,196	-	337,196
Operation and Maintenance of Plant	2,401,638	1,090	2,402,728
Pupil Transportation	2,233,261	77,165	2,310,426
Central	180,652	29,192	209,844
Operation of Non-Instructional Services	67,641	1,935,717	2,003,358
Extracurricular Activities	395,133	235,456	630,589
	Total Expenditures	3,393,261	29,722,892
<i>Excess of Revenue Over/(Under) Expenditures</i>	(201,024)	(99,047)	(300,071)
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	4,002	-	4,002
Transfer In	-	127,225	127,225
Transfer Out	(127,225)	-	(127,225)
	Total Other Financing Sources (Uses)	127,225	4,002
<i>Net Change in Fund Balances</i>	(324,247)	28,178	(296,069)
<i>Fund Balances Beginning of Year, Restated</i> <i>(See Note 20)</i>	3,040,937	472,453	3,513,390
<i>Fund Balances End of Year</i>	\$ 2,716,690	\$ 500,631	\$ 3,217,321

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

Chardon Local School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in the Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds \$ (296,069)

***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 these
assets is allocated over their estimated useful lives as
depreciation expense.

Capital Assets Additions	358,818
Current Year Depreciation	<u>(435,681)</u>

Total	(76,863)
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Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds.

Taxes	(25,758)
-------	----------

Some expenses reported in the statement of activities, such as
compensated absences, do not required the use of current
financial resources and therefore are not reported as
expenditures in the governmental funds.

Compensated Absences Payable	147,145
------------------------------	---------

The internal service fund used by management to charge the cost
of insurance to individual funds is not reported in the district-wide
statement of activities. Governmental fund expenditures and
the related internal service fund revenues are eliminated. The
net revenue (expense) of the internal services fund is allocated
amount the governmental activities.

<u>43,188</u>

<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ (208,357)</u></u>
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The notes to the financial statements are an integral part of this statement.

Chardon Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 15,747,100	\$ 16,400,869	\$ 16,680,186	\$ 279,317
Intergovernmental	8,453,660	8,112,305	7,849,437	(262,868)
Interest	136,730	131,209	129,668	(1,541)
Tuition	145,456	139,583	137,944	(1,639)
Extracurricular Activities	38,035	38,037	37,725	(312)
Classroom Materials and Fees	147,920	148,160	146,861	(1,299)
Miscellaneous	86,439	82,949	81,988	(961)
Total Revenues	24,755,340	25,053,112	25,063,809	10,697
Expenditures:				
Current:				
Instruction:				
Regular	11,416,796	11,986,794	11,953,638	33,156
Special	2,599,175	2,725,049	2,692,961	32,088
Vocational	269,612	283,322	281,954	1,368
Other	428,424	450,210	417,464	32,746
Support Services:				
Pupils:				
Instructional Staff	1,330,203	1,397,847	1,310,499	87,348
Board of Education	40,883	42,962	30,741	12,221
Administration	2,329,930	2,448,412	2,362,861	85,551
Fiscal	784,850	824,761	788,508	36,253
Business	342,161	359,561	344,493	15,068
Operation and Maintenance of Plant:	2,506,782	2,634,259	2,507,349	126,910
Pupil Transportation	2,165,315	2,274,839	2,260,044	14,795
Central	181,891	191,140	182,922	8,218
Operation of Non-Instructional Services	66,703	68,199	64,224	3,975
Extracurricular Activities	379,248	398,535	396,924	1,611
Total Expenditures	25,993,820	27,298,308	26,716,916	581,392
<i>Excess of Revenues Over/(Under) Expenditures</i>	<i>(1,238,480)</i>	<i>(2,245,196)</i>	<i>(1,653,107)</i>	<i>592,089</i>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	4,182	4,013	3,967	(46)
Refund of Prior Year Expenditures	9,309	8,933	8,830	(103)
Advances In	7,129	7,129	7,129	-
Advances Out	(4,759)	(5,000)	(423)	4,577
Transfers Out	(122,421)	(128,646)	(127,225)	1,421
Total Other Financing Sources (Uses)	(106,560)	(113,571)	(107,722)	5,849
Net Change in Fund Balance	(1,345,040)	(2,358,767)	(1,760,829)	597,938
Fund Balance (Deficit) at The Beginning of Year	2,996,889	2,996,889	2,996,889	-
Prior Year Encumbrances Appropriated	285,443	285,443	285,443	-
Fund Balance (Deficit) at The End of Year	\$ 1,937,292	\$ 923,565	\$ 1,521,503	\$ 597,938

Chardon Local School District
Statement of Fund Assets
Proprietary Fund
June 30, 2005

	Governmental Activities - Internal Service Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 796,778
Cash and Cash Equivalents:	
In Segregated Accounts	71,789
<i>Total Assets</i>	868,567
Liabilities	
Claims Payable	283,499
<i>Total Liabilities</i>	283,499
Net Assets	
Unrestricted	585,068
<i>Total Net Assets (Deficit)</i>	\$ 585,068

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

Chardon Local School District
*Statement of Revenues,
 Expenses, and Changes in Fund Net Assets*
Proprietary Fund
 For the Year Ended June 30, 2005

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	<u>\$ 3,238,312</u>
<i>Total Operating Revenues</i>	3,238,312
Operating Expenses	
Purchased Services	458,121
Claims	<u>2,737,003</u>
<i>Total Operating Expenses</i>	<u>3,195,124</u>
<i>Operating Income (Loss)</i>	43,188
<i>Net Assets (Deficit) Beginning of Year</i>	<u>541,880</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$ 585,068</u></u>

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

Chardon Local School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Governmental Activities - Internal Service Fund</u>
Increase (Decrease in Cash and Cash Equivalents)	
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 3,238,312
Cash Payments for Goods and Services	(458,121)
Cash Payments for Claims	<u>(2,730,999)</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>49,192</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	49,192
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>819,375</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 868,567</u></u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities	
<i>Operating Income (Loss)</i>	\$ 43,188
Adjustments:	
Increase (Decrease) in Liabilities:	
Claims Payable	<u>6,004</u>
<i>Total Adjustments</i>	<u>6,004</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u><u>\$ 49,192</u></u>

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

Chardon Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private-Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 149,766	\$ 70,551
<i>Total Assets</i>	149,766	70,551
Liabilities		
Accounts Payable	-	3,031
Due to Students	-	67,520
<i>Total Liabilities</i>	-	\$ 70,551
Net Assets		
Held in Trust for Scholarships	149,766	
<i>Total Net Assets</i>	\$ 149,766	

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

Chardon Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2005

	Private Purpose Trust
	Scholarship
Addition	
Interest	\$ 3,052
Other Operating Revenues	1,000
	4,052
Deduction	
Disbursement in Accordance with Trust	1,750
	2,302
<i>Change in Net Assets</i>	<i>2,302</i>
<i>Net Assets Beginning of Year</i>	<i>147,464</i>
	<i>149,766</i>
<i>Net Assets End of Year</i>	<i>\$ 149,766</i>
	<i>149,766</i>

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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 1 – Description of the School District and Reporting Entity

Chardon Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board of Education controls the School District's seven instructional/support facilities staffed by 150 classified employees and 210 certificated full and part-time teaching personnel who provide services to 3,272 students and other community members.

Reporting Entity

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

Nonpublic Schools – Within the School District boundaries, there are various nonpublic schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed by the School District on behalf of the non-public schools by the Treasurer of the School District, as directed by the non-public school. This activity is reflected in a special revenue fund for financial reporting purposes.

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 School District participates in five jointly governed organizations and one insurance purchasing pool. These organizations are the Lake Geauga Computer Association, the Ohio Schools' Council, the Auburn Career Center, the East Shore Center, the East Shore Regional Transportation System and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 14 and 15 to the basic financial statements.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 2 – Summary of Significant Accounting Policies

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

A. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

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

Governmental Fund Types Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes 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 and liabilities is reported as fund balance. The following are the School District major governmental fund:

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

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

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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis. The only internal service fund of the School District accounts for a self-insurance program which provides medical, dental and vision benefits to employees.

Fiduciary Fund Types Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trusts, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only agency fund is a student activities fund which accounts for extracurricular activities for students.

B. Basis Of Presentation

Government-wide Financial Statements The statement of net assets and 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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relation between the governmental-wide statements and the statements to governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods and 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 District, with certain limited exception. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is represented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financial uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The trust fund is reported using the economic resources measurement focus.

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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of 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 expenditure 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 fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Chardon Local School District
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For the Fiscal Year Ended June 30, 2005

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

D. Budgetary Data

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

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

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

Chardon Local School District
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The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amount reported as the final budgeted amount in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2005.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from the prior years. The amounts reported as the final budgeted amounts in the statement of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

The School District uses Aetna U.S. Healthcare to serve as a claim administrator for its self-insurance program. The balance of this account is presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" and represents deposits.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

During fiscal year 2005, investments were limited to STAR Ohio, the State Treasurer's Investment Pool. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited during fiscal year 2005 to the general fund amounted to \$129,668, food service fund amounted to \$639, special trust fund amounted to \$2,423, auxiliary services amounted to \$5,218, and private-purpose trust fund amounted to \$3,052.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

F. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute or internal designation to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 16 for additional information regarding set-asides.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

On the governmental-wide financial statements, inventories are represented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption donated food, purchased food, and school supplies held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund types when used.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the government activities column of the governmental-wide statement of net assets 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 dates received. The School District maintains a capitalization threshold of one thousand and five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

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:

Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Building and Improvements	40 years
Furniture	10 years
Equipment	5 years
Vehicles	10 years

J. Interfund Balances

On the fund financial statements, receivables and payables resulting short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

K. Compensated Absences

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

Chardon Local School District
Notes to the Basic Financial Statements
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For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all classified and non-classified employees age fifty-five (55) or greater; or aged fifty (50) with at least ten (20) years of service; or in any age with at least twenty-five (25) years of service were considered expected to become eligible to retire in accordance with GASB 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences and special termination benefits 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 during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

M. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid from them are not presented on the financial statements.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The net assets held in trust for scholarships signify the legal restrictions on the use of principal.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are 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.

The School District applies restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net assets are available.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

R. Estimates

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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Note 3 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances –Budget (Non-GAAP Basis) and Actual 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 basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

<u>Net Change in Fund Balance</u>	
Budget Basis	(\$1,760,829)
Net Adjustment for Revenue Accruals	1,048,874
Net Adjustment for Expenditure Accruals	963,444
Adjustment for Encumbrances	<u>(575,736)</u>
GAAP Basis	<u><u>(\$324,247)</u></u>

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 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 marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The School District uses the "pooled cash" method of accounting for substantially all of its operating cash and investments, which, as June 30, 2005 were as follows:

	Cash and Cash Equivalents
Cash	\$436,982
Investments	3,331,294
Total	\$3,768,276

Cash balances are combined into one pool for making daily cash and investment transactions.

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchased Agreements*, requires cash and cash equivalents and investments held by the School District to be categorized into the following custodial credit risk categories:

(a) Cash and Cash Equivalents

1. Insured or collateralized with securities held by the School District or by its agent in the School District's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent.
3. Uncollateralized.

At June 30, 2005, the carrying amount of the School District's cash and cash equivalents for all funds was \$436,982. The difference in the carrying amount and the bank balance of \$545,654 is caused by outstanding checks. Of the bank balance, \$100,000 was covered by federal depository insurance and \$445,654 was uncollateralized (category 3).

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

(b) Investments

For the fiscal year of 2005, GASB 40 requires all investments to be recorded with the risk of the investments. The School District has an investment policy, and investments are made in accordance to the policy. The School District's investments now include U.S. Government Agency securities. These are considered to be no risk investments.

Investments at June 30, 2005 consists of investments in STAR Ohio of \$3,331,294. GASB Statement No. 3 does not require STAR Ohio's assets to be categorized.

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, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2005 for tangible personal property (other than public utility property) is for calendar 2005 taxes.

2005 real property taxes are levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after April 1, 2005, and are collected in 2005 with real property taxes.

2005 tangible personal property taxes are levied after April 1, 2005 on the value as of December 31, 2004. Collections are made in 2006. Tangible personal property assessments are twenty-five percent of true value.

	2005 First Half Collections		2004 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$535,357,380	91.37%	\$518,061,990	90.69%
Public Utility	20,353,160	3.47	18,756,460	3.28
Tangible Personal Property	30,248,210	5.16	34,401,850	6.03
Total Assessed Value	<u>\$585,958,750</u>	<u>100.00%</u>	<u>\$571,220,300</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$64.88		\$64.88	

Chardon Local School District
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For the Fiscal Year Ended June 30, 2005

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 later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Chardon Local School District. The County Auditor periodically remits to the School District its portion of taxes. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue 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, 2005, was \$3,218,112. The entire amount was available to the general fund.

Note 6 – Receivables

Receivables at June 30, 2005, consisted of property taxes, and accounts (rent, billings for user charged services, and tuition and fees). All receivables are considered collectible in full.

Note 7 – Capital Assets

The School District reclassified food service fund, uniform school supplies fund, summer school fund and adult education fund, which were previously reported as business-type activities, as governmental activities in fiscal year 2005. As a result, the beginning balances of the capital assets increased by \$21,473. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

Chardon Local School District
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For the Fiscal Year Ended June 30, 2005

	Balance 6/30/2004	Prior Period Adjustment	Balance 7/1/2004	Addition	Deletion	Balance 6/30/2005
Governmental Activities						
<i>Capital Assets, not being depreciated:</i>						
Land	\$ 609,612	\$ -	\$ 609,612	\$ -	\$ -	\$ 609,612
<i>Total Capital Assets, not being depreciated:</i>	<u>609,612</u>	<u>-</u>	<u>609,612</u>	<u>-</u>	<u>-</u>	<u>609,612</u>
<i>Capital Asset, being depreciated:</i>						
Buildings and Improvements	6,543,379	-	6,543,379	6,250	-	6,549,629
Improvements	118,810	-	118,810	-	-	118,810
Furniture and Equipment	2,039,616	171,425	2,211,041	124,647	(598,232)	1,737,456
Vehicles	2,043,761	-	2,043,761	227,921	(31,359)	2,240,323
<i>Total Capital Assets, being depreciated:</i>	<u>10,745,566</u>	<u>171,425</u>	<u>10,916,991</u>	<u>358,818</u>	<u>(629,591)</u>	<u>10,646,218</u>
Less Accumulated Depreciation:						
Building and Improvements	(5,680,405)	-	(5,680,405)	(93,973)	-	(5,774,378)
Improvements	(44,980)	-	(44,980)	(3,866)	-	(48,846)
Furniture and Equipment	(1,683,574)	(149,952)	(1,833,526)	(183,983)	598,232	(1,419,277)
Vehicles	(1,328,815)	-	(1,328,815)	(153,859)	31,359	(1,451,315)
<i>Total Accumulated Depreciation</i>	<u>(8,737,774)</u>	<u>(149,952)</u>	<u>(8,887,726)</u>	<u>(435,681)</u>	<u>629,591</u>	<u>(8,693,816)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>2,007,792</u>	<u>21,473</u>	<u>2,029,265</u>	<u>(76,863)</u>	<u>-</u>	<u>1,952,402</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,617,404</u>	<u>\$ 21,473</u>	<u>\$ 2,638,877</u>	<u>\$ (76,863)</u>	<u>\$ -</u>	<u>\$ 2,562,014</u>

Chardon Local School District
Notes to the Basic Financial Statements
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Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	95,862
Special		7,937
Vocational		319
Support Services:		
Pupil		35,092
Instructional Staff		88,660
Administration		6,347
Fiscal		3,413
Operation and Maintenance of Plant		14,640
Pupil Transportation		143,004
Central		1,968
Operation of Non-instructional Services		30,715
Extracurricular Activities		7,724
Total Depreciation Expense	\$	435,681

Note 8 – Interfund Transactions

A. Interfund Receivable/Payable

The interfund receivable/payable consisted of the following at June 30, 2005, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Governmental Activities:		
Major Fund:		
General	\$48,327	\$0
Non-major Funds:		
Uniform School Supplies	0	36,000
Title VI	0	11,745
Drug Free Schools Grant	0	159
Miscellaneous Federal Grant	0	423

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

	Transfer In	Transfer Out
Major Governmental Fund:		
General	\$0	\$127,225
Nonmajor Governmental Funds:		
Food Service	96,225	0
Underground Storage Tank	11,000	0
Athletic and Music	20,000	0

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Transfers are also used to close out grants in any funds, including special revenue funds, that are no longer required.

Note 9 – Risk Management

The School District has elected to provide medical, prescription and dental benefits through a self-insurance program. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. The monthly premiums for insurance coverage is as follows:

	Family Plan	Single Plan
Medical	\$896.00	\$442.00
Dental	81.00	81.00
Life Insurance	4.75	4.75

A third party administrator, Aetna U.S. Healthcare, reviews all claims which are then paid by the School District. The premiums are paid by the fund that pays the salary for the employee and are based on historical cost information based upon the number of family and single plans.

The claims liability of \$283,499 reported in the internal service fund at June 30, 2005 was estimated by the third party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 2004 and 2005 were:

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2004	\$228,875	2,360,815	2,312,195	\$277,495
2005	\$277,495	2,737,003	2,730,999	\$283,499

Note 10 – Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty-three days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Full time Certified and Non-Certified employees are entitled to fifteen days sick leave with pay for each year under contract and accrue sick leave at a rate of one and one-fourth days for each month under contract. Upon retirement, certified employees receive payment for one-third of the total sick leave accumulation, up to a maximum accumulation of 210 days. Classified employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 120 days.

Note 11 – Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined pension system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Board Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$643,352, \$588,962, and \$524,088, respectively; 45.42 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$351,155 representing the unpaid contribution for fiscal year 2005 is recorded as a liability.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefits (DB) plan, a Defined Contribution (SC) plan, and a Combined plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or allowance based on member contributions and earned interest matched by STRS Ohio funds time an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined plan offers features of both the DB plan and DC plan. In the Combined plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB plan.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,772,100, \$1,692,697, and \$1,568,964, respectively; 83.17 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$298,190 representing the unpaid contribution for fiscal year 2005 is recorded as a liability.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 12 - Postemployment Benefits

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$126,579 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$185,840 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 13 - Long Term Obligations

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Principal Outstanding 7/1/2004	Additions	Deductions	Principal Outstanding 6/30/2005	Amount Due in One Year
Governmental Activities					
Compensated Absences	\$ 1,379,800	\$ 667,561	\$ (588,234)	\$ 1,459,127	\$ 279,474
Claims	277,495	283,499	(277,495)	283,499	283,499
Total Governmental Activities					
Long-term Liabilities	<u>\$ 1,657,295</u>	<u>\$ 951,060</u>	<u>\$ (865,729)</u>	<u>\$ 1,742,626</u>	<u>\$ 562,973</u>

In fiscal year 2005, the compensated absences liability in the governmental funds was paid out from the general fund.

At June 30, 2005 the School District's overall debt margin was \$52,736,288 with an unvoted debt margin of \$585,959.

Note 14 – Jointly Governed Organizations

Lake Geauga Computer Association The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2005, the School District paid \$101,518 to LGCA. Financial information can be obtained from Loretta Peterson, the Treasurer of the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

Ohio Schools' Council The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2005, the School District paid \$3,849 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary/Treasurer of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

Auburn Career Center The Auburn Career Center is joint vocational school district that is a jointly governed organization among eleven school districts. Each participating school district appoints one member of the Auburn Career Center's Board of Education. The students of each participating school district may attend classes. Each participant's control over the operation of the center is limited to its representation on the board. Continued existence of the Auburn Career Center is not dependent on the District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077

East Shore Center The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. East Shore Center is not accumulating significant financial resources or experiencing fiscal distress. Financial information can be obtained by writing the fiscal agent, Mentor Exempted Village School District, 6451 Center Street, Mentor, Ohio 44060.

East Shore Regional Transportation System The East Shore Regional Transportation System (the "ESRTA") is a jointly governed organization was formed for the purpose of providing a transportation system for the handicapped children in the 16 member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. ESRTA's continued existence is not dependent on the School District's continued participation. ESRTA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. Financial information can be obtained from the Kirtland Board of Education, 9252 Chillicothe Road, Kirtland, Ohio 44094.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 15 – Insurance Purchasing Pool

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

Note 16 – Set-Aside Requirements

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

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

	<u>Textbooks</u>	<u>Capital Improvement</u>	<u>Budget Reserve</u>	<u>Total</u>
Set-aside balance as of June 30, 2004	\$ (270,067)	\$ 0	\$ 422,342	\$ 152,275
Current year set-aside requirement	\$ 463,068	\$ 463,068	\$ 0	\$ 926,136
Qualifying expenditures	\$ <u>(484,560)</u>	\$ <u>(1,257,227)</u>	\$ <u>0</u>	\$ <u>(1,741,787)</u>
Totals	\$ <u>(291,559)</u>	\$ <u>(794,159)</u>	\$ <u>422,342</u>	\$ <u>(663,376)</u>
Cash balance carried forward to FY 2006	\$ <u>(291,559)</u>	\$ <u>0</u>	\$ <u>422,342</u>	\$ <u>130,783</u>
Amount restricted for budget stabilization				\$ <u>422,342</u>
Board designated budget stabilization allocation				\$ <u>146,411</u>
Total restricted assets				\$ <u>568,753</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirements in future fiscal years.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set asides at the end of the fiscal year was \$568,753.

Note 17 – 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

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

Note 18 – School Funding Decision

On December 11, 2003, The Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school funding plan is unconstitutional.

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

Note 19 – Accountability and Compliances

Fund Deficits

The following funds had a deficit fund balance as of June 30, 2005.

<u>Fund</u>	<u>Deficit Fund Balance</u>
Non-major Special Revenue Funds:	
Title I	\$457
Title VI	10,810

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The deficits in the fund above are largely the result of the recognition of liabilities in accordance with the general accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is need rather than when accruals occur.

Note 20 – Restatement of Prior Year Fund Balances and Net Assets

A. Restatements of Prior Year Fund Balances

For fiscal year 2005, the School District has implemented GASB NO. 40, “Deposits and Investment Risk Disclosure”; GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers” and GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits and Other Than Pensions.” The School District restated fund balances of the general fund, athletic and music fund, auxiliary fund, and educational management information system fund due to implementation of the Technical Bulletin and GASB Statement No. 45. In addition, the School District reclassified food service fund, uniform school supplies fund, summer school fund, and adult education fund, which were previously reported as enterprise funds, as special revenue funds. The changes of prior year fund balances show as follows:

	General Fund	Other Governmental Funds
Fund Balances as 6/30/04	\$ 3,248,709	\$ 401,586
Add:		
Food Service	-	(5,742)
Uniform School Supplies	-	4,434
Summer School	-	46,965
Adult Education	-	26,348
Less:		
Pension Obligation Liabilities	(207,772)	(1,138)
Fund Balances as 7/1/04	\$ 3,040,937	\$ 472,453

B. Restatements of Prior Year Net Assets

The reclassification of food service fund, uniform school supplies fund, summer school fund, and adult education fund, which were previously reported in the business-type activities, resulted in increase in net assets for governmental activities.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

	Governmental Activities
Net Assets as 6/30/04	\$ 5,524,881
Add:	
Food Service	(1,208)
Uniform School Supplies	4,434
Summer School	46,965
Adult Education	26,348
Net Assets as 7/1/04	<u>\$ 5,601,420</u>

Note 21 – Required Supplementary Information (RSI) Is Omitted

For the fiscal year ended 2005, the School District was required to implement GASB Technical Bulletin No. 2004-2. In addition to the implementation of this guidance, the School District simultaneously implemented GASB Statement No. 45, as recommended by the GASB. This Statement requires employers to present as required supplementary information (RSI) schedules of funding progress and employer contributions for the plan as a whole if a plan financial report, prepared in accordance with GASB Statement No. 43 is not issued and made publicly available and the plan is not included in the financial report of a public employee retirement system or another entity. SERS and STRS have not issued a financial report in accordance with the statement and have not conducted a valuation of their plans, as they were not required to implement the statement as of the date of this report. Therefore, RSI is unavailable to the School District and it does not follow these notes to the financial statements.

Chardon Local School District

Combining Statements and Individual Fund Schedules

Chardon Local School District

Combining Statements – Nonmajor Funds

Nonmajor Special Revenue Funds

Special Revenue Funds are established to account for revenues from specific sources which legally, or otherwise, are restricted to expenditures for specific purposes. A description of the School District's special revenue funds follows:

Food Service Fund This fund accounts for the financial transactions related to the food service operations of the School District.

Special Trust Fund This fund accounts for monies used for purposes that are beneficial to the overall operation of the School District.

Uniform School Supplies Fund This fund accounts for the purchase and sale of school supplies for use in School District. Profits derived from such sales are used for school purposes or activities connected with the school.

Summer School Fund This fund accounts for tuition received for the purpose of summer school education.

Adult Education Fund This fund accounts for tuition received for the purpose of adult/community education program.

Public School Support Fund This fund accounts for school site sales revenue and expenditures for field trips, assemblies, and other activity costs.

Other Grants Fund This fund accounts for monies received to promote community involvement and to support activities between the school and community.

Underground Storage Tank Fund This fund accounts for monies used for the maintenance of underground storage tank.

Athletic and Music Fund This fund accounts for gate receipts and other revenues from athletic events and all costs (except supplemental coaching contracts) of the School District's athletic program and transportation of the band to and from athletic events.

Auxiliary Services Fund This fund accounts for funds which provide services and materials to pupils attending non-public schools within the School District.

Educational Management Information Systems Fund This fund accounts for State monies which support the development of hardware and software or other costs associated with the requirements of the management information system.

Data Communication Fund This fund accounts for State monies received to provide Ohio Educational Computer Network Connections.

Chardon Local School District

Nonmajor Special Revenue Funds

(continued)

SchoolNet Professional Development Fund This fund accounts for State monies to assist staff in gaining knowledge of technology.

Ohio Reads Grant Fund This fund accounts for State monies to improve reading outcomes, especially on the fourth grade reading proficiency test and for volunteer coordinators in public schools and costs associated with volunteer coordination, for background checks for volunteers, to evaluate the Ohio Reads Program, and for operating expenses associated with administering the program.

Reading Intervention Fund This fund accounts for State monies provided to improve reading outcomes for the students in first to fourth grade.

Miscellaneous State Grants Fund This fund accounts for miscellaneous grants from the state government. The only miscellaneous state grant for the current fiscal year was conflict management fund.

Title VI-B Fund This fund accounts for Federal monies used to assist schools in the identification of handicapped children, development of procedural safeguards, and provision of full educational opportunities to handicapped children at the preschool, elementary, and secondary levels.

Title I Fund This fund accounts for Federal monies used to assist the School District in meeting the special needs of educationally deprived children.

Title VI Fund This fund accounts for Federal monies which support the implementation of a variety of programs such as computer education, gifted and talented programs, in-service and staff development.

Drug Free Schools Grant Fund This fund accounts for Federal monies which support the implementation of programs for drug abuse education and prevention.

Class Size Reduction Fund This fund accounts for Federal monies used to reduce class sizes in elementary schools.

Miscellaneous Federal Grants Fund This fund accounts for small miscellaneous grants from the federal governments.

Chardon Local School District

Nonmajor Capital Projects Funds

Capital Projects Funds

Capital projects funds account for the acquisition, construction or improvement of capital facilities other than those financed by proprietary funds.

SchoolNet Plus Fund This fund accounts for State monies to be used to provide wiring to all classrooms that supports the transmission of voice, video and data, and to provide a computer workstation and related technology for every classroom.

Chardon Local School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 552,022	\$ 30,135	\$ 582,157
Receivables:			
Accounts	86	-	86
Intergovernmental	18,625	-	18,625
Inventory Held for Resale	4,949	-	4,949
Materials and Supplies Inventory	<u>1,306</u>	<u>-</u>	<u>1,306</u>
<i>Total Assets</i>	<u><u>576,988</u></u>	<u><u>30,135</u></u>	<u><u>607,123</u></u>
Liabilities:			
Accounts Payable	16,787	-	16,787
Accrued Wages	13,080	-	13,080
Pension Obligation Payable	28,256	-	28,256
Interfund Payable	48,327	-	48,327
Intergovernmental Payable	<u>42</u>	<u>-</u>	<u>42</u>
<i>Total Liabilities</i>	<u>106,492</u>	<u>-</u>	<u>106,492</u>
Fund Balance:			
Reserved for Encumbrances	179,058	-	179,058
Unreserved:			
Undesignated	<u>291,438</u>	<u>30,135</u>	<u>321,573</u>
<i>Total Fund Balances</i>	<u>470,496</u>	<u>30,135</u>	<u>500,631</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$ 576,988</u></u>	<u><u>\$ 30,135</u></u>	<u><u>\$ 607,123</u></u>

Chardon Local School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
	<hr/>	<hr/>	<hr/>
Revenues:			
Intergovernmental	\$ 2,204,094	\$ 30,135	\$ 2,234,229
Interest	8,280	-	8,280
Tuition and Fees	36,411	-	36,411
Extracurricular Activities	278,211	-	278,211
Food Service	633,269	-	633,269
Classroom Materials and Fees	33,505	-	33,505
Miscellaneous	70,309	-	70,309
	<hr/>	<hr/>	<hr/>
Total Revenues	3,264,079	30,135	3,294,214
Expenditures:			
Current:			
Instruction:			
Regular	177,935	-	177,935
Special	349,595	-	349,595
Adult/Continuing	8,702	-	8,702
Support Services:			
Pupils	567,723	-	567,723
Instructional Staff	8,379	-	8,379
Administration	2,307	-	2,307
Operation and Maintenance of Plant	1,090	-	1,090
Pupil Transportation	77,165	-	77,165
Central	29,192	-	29,192
Operation of Non-Instructional Services	1,935,717	-	1,935,717
Extracurricular Activities	235,456	-	235,456
	<hr/>	<hr/>	<hr/>
Total Expenditures	3,393,261	-	3,393,261
Excess of Revenues Over (Under) Expenditures	(129,182)	30,135	(99,047)
Other Financing Sources (Uses):			
Transfers In	127,225	-	127,225
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	127,225	-	127,225
Net Change in Fund Balances	(1,957)	30,135	28,178
Fund Balance (Deficit) at Beginning of Year, Restated (See Note 20)	472,453	-	472,453
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Fund Balance (Deficit) at End of Year	\$ 470,496	\$ 30,135	\$ 500,631
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Chardon Local School District

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2005

	Food Service	Special Trust	Uniform School Supplies	Summer School	Adult Education
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 7,231	\$ 16,710	\$ 36,801	\$ 50,013	\$ 31,549
Receivables:					
Accounts	-	-	-	-	-
Intergovernmental	18,133	-	-	-	-
Inventory Held for Resale	4,949	-	-	-	-
Materials and Supplies Inventory	1,306	-	-	-	-
<i>Total Assets</i>	<u>31,619</u>	<u>16,710</u>	<u>36,801</u>	<u>50,013</u>	<u>31,549</u>
Liabilities:					
Accounts Payable	19	-	-	-	600
Accrued Wages	2,951	-	-	-	-
Pension Obligation Payable	20,431	-	-	4,410	-
Interfund Payable	-	-	36,000	-	-
Intergovernmental Payable	42	-	-	-	-
<i>Total Liabilities</i>	23,443	-	36,000	4,410	600
Fund Balance:					
Reserved for Encumbrances	363	2,000	-	173	1,080
Unreserved: Undesignated	7,813	14,710	801	45,430	29,869
<i>Total Fund Balances (Deficit)</i>	<u>8,176</u>	<u>16,710</u>	<u>801</u>	<u>45,603</u>	<u>30,949</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 31,619</u>	<u>\$ 16,710</u>	<u>\$ 36,801</u>	<u>\$ 50,013</u>	<u>\$ 31,549</u>

Public School Support	Other Grants	Underground Storage Tank	Athletic and Music	Auxiliary Services	Educational Management Information System	Data Communication
\$ 64,487	\$ 4,532	\$ 11,000	\$ 148,284	\$ 112,296	\$ 3,192	\$ -
86	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>64,573</u>	<u>4,532</u>	<u>11,000</u>	<u>148,284</u>	<u>112,296</u>	<u>3,192</u>	<u>-</u>
4,435	-	-	5,604	5,949	-	-
-	-	-	-	-	-	-
-	-	-	267	551	1,179	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,435</u>	<u>-</u>	<u>-</u>	<u>5,871</u>	<u>6,500</u>	<u>1,179</u>	<u>-</u>
7,582	2,412	-	35,488	106,346	-	-
<u>52,556</u>	<u>2,120</u>	<u>11,000</u>	<u>106,925</u>	<u>(550)</u>	<u>2,013</u>	<u>-</u>
<u>60,138</u>	<u>4,532</u>	<u>11,000</u>	<u>142,413</u>	<u>105,796</u>	<u>2,013</u>	<u>-</u>
<u>\$ 64,573</u>	<u>\$ 4,532</u>	<u>\$ 11,000</u>	<u>\$ 148,284</u>	<u>\$ 112,296</u>	<u>\$ 3,192</u>	<u>\$ -</u>

Chardon Local School District

Combining Balance Sheet
Nonmajor Special Revenue Funds - Continued

June 30, 2005

	SchoolNet Professional Development	Ohio Reads Grant	Reading Intervention Grant	Title VI-B	Title I
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 626	\$ -	\$ -	\$ 55,356	\$ 7,240
Receivables:					
Accounts	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Inventory Held for Resale	-	-	-	-	-
Materials and Supplies Inventory	-	-	-	-	-
<i>Total Assets</i>	<u>626</u>	<u>-</u>	<u>-</u>	<u>55,356</u>	<u>7,240</u>
Liabilities:					
Accounts Payable	-	-	-	180	-
Accrued Wages	-	-	-	3,377	6,752
Pension Obligation Payable	-	-	-	473	945
Interfund Payable	-	-	-	-	-
Intergovernmental Payable	-	-	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,030</u>	<u>7,697</u>
Fund Balance:					
Reserved for Encumbrances	620	-	-	21,749	-
Unreserved:					
Undesignated	6	-	-	29,577	(457)
<i>Total Fund Balances (Deficit)</i>	<u>626</u>	<u>-</u>	<u>-</u>	<u>51,326</u>	<u>(457)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,356</u>	<u>\$ 7,240</u>

(Continued)

<u>Title VI</u>	<u>Drug Free Schools Grant</u>	<u>Class Size Reduction</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 935	\$ 334	\$ 1,116	\$ 320	\$ 552,022
-	-	-	-	86
-	-	-	492	18,625
-	-	-	-	4,949
-	-	-	-	1,306
<u>935</u>	<u>334</u>	<u>1,116</u>	<u>812</u>	<u>576,988</u>
-	-	-	-	16,787
-	-	-	-	13,080
-	-	-	-	28,256
11,745	159	-	423	48,327
-	-	-	-	42
11,745	159	-	423	106,492
120	110	695	320	179,058
<u>(10,930)</u>	<u>65</u>	<u>421</u>	<u>69</u>	<u>291,438</u>
<u>(10,810)</u>	<u>175</u>	<u>1,116</u>	<u>389</u>	<u>470,496</u>
<u>\$ 935</u>	<u>\$ 334</u>	<u>\$ 1,116</u>	<u>\$ 812</u>	<u>\$ 576,988</u>

Chardon Local School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds

For the Year Ending June 30, 2005

	Food Service	Special Trust	Uniform School Supplies	Summer School	Adult Education
Revenues:					
Intergovernmental	\$ 172,958	\$ -	\$ -	\$ -	\$ 13,303
Interest	639	2,423	-	-	-
Tuition	-	-	-	36,411	-
Extracurricular Activities	-	-	-	-	-
Food Service	633,269	-	-	-	-
Classroom Materials and Fees	-	-	33,505	-	-
Miscellaneous	6,507	4,900	-	-	-
<i>Total Revenues</i>	813,373	7,323	33,505	36,411	13,303
Expenditures:					
Current:					
Instruction:					
Regular	-	-	37,138	35,963	-
Special	-	-	-	-	-
Adult/Continuing	-	-	-	-	8,702
Support Services:					
Pupils	-	-	-	-	-
Instructional Staff	-	-	-	-	-
Administration	-	-	-	1,810	-
Operation and Maintenance of Plant	-	-	-	-	-
Pupil Transportation	-	-	-	-	-
Central	-	-	-	-	-
Operation of Non-Instructional Services	895,680	11,415	-	-	-
Extracurricular Activities	-	-	-	-	-
<i>Total Expenditures</i>	895,680	11,415	37,138	37,773	8,702
Excess of Revenues Over (Under) Expenditures	(82,307)	(4,092)	(3,633)	(1,362)	4,601
Other Financing Sources (Uses):					
Transfers In	96,225	-	-	-	-
<i>Total Other Financing Sources (Uses)</i>	96,225	-	-	-	-
Net Change in Fund Balances	13,918	(4,092)	(3,633)	(1,362)	4,601
Fund Balance (Deficit) at Beginning of Year, Restated (See Note 20)	(5,742)	20,802	4,434	46,965	26,348
Fund Balance (Deficit) at End of Year	\$ 8,176	\$ 16,710	\$ 801	\$ 45,603	\$ 30,949

Public School Support	Other Grants	Underground Storage Tank	Athletic and Music	Auxiliary Services	Educational Management Information System	Data Communication	SchoolNet Professional Development
\$ -	\$ -	\$ -	\$ -	\$ 918,465	\$ 10,341	\$ 18,000	\$ 4,140
-	-	-	-	5,218	-	-	-
-	-	-	-	-	-	-	-
63,269	-	-	214,942	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
40,500	3,190	-	15,212	-	-	-	-
103,769	3,190	-	230,154	923,683	10,341	18,000	4,140
17,600	133	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
81,528	646	-	2,450	-	-	18,000	-
1,152	3,450	-	-	-	-	-	3,777
-	497	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	29,192	-	-
-	-	-	-	977,047	-	-	-
-	-	-	235,456	-	-	-	-
100,280	4,726	-	237,906	977,047	29,192	18,000	3,777
3,489	(1,536)	-	(7,752)	(53,364)	(18,851)	-	363
-	-	11,000	20,000	-	-	-	-
-	-	11,000	20,000	-	-	-	-
3,489	(1,536)	11,000	12,248	(53,364)	(18,851)	-	363
56,649	6,068	-	130,165	159,160	20,864	-	263
\$ 60,138	\$ 4,532	\$ 11,000	\$ 142,413	\$ 105,796	\$ 2,013	\$ -	\$ 626

Chardon Local School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds - Continued

For the Year Ending June 30, 2005

	Ohio Reads Grant	Reading Intervention Grant	Title VI-B	Title I	Title VI
Revenues:					
Intergovernmental	\$ 8,000	\$ 56,636	\$ 738,481	\$ 146,772	\$ 16,740
Interest	-	-	-	-	-
Tuition	-	-	-	-	-
Extracurricular Activities	-	-	-	-	-
Food Service	-	-	-	-	-
Classroom Materials and Fees	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	8,000	56,636	738,481	146,772	16,740
Expenditures:					
Current:					
Instruction:					
Regular	8,000	-	9,387	-	-
Special	-	58,847	131,498	145,267	13,983
Adult/Continuing	-	-	-	-	-
Support Services:					
Pupils	-	-	442,544	-	-
Instructional Staff	-	-	-	-	-
Administration	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-
Pupil Transportation	-	-	77,045	-	-
Central	-	-	-	-	-
Operation of Non-Instructional Services	-	-	50,865	-	-
Extracurricular Activities	-	-	-	-	-
Total Expenditures	8,000	58,847	711,339	145,267	13,983
Excess of Revenues Over (Under) Expenditures	-	(2,211)	27,142	1,505	2,757
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	(2,211)	27,142	1,505	2,757
Fund Balance (Deficit) at Beginning of Year, Restated (See Note 20)	-	2,211	24,184	(1,962)	(13,567)
Fund Balance (Deficit) at End of Year	\$ -	\$ -	\$ 51,326	\$ (457)	\$ (10,810)

(Continued)

Drug Free Schools Grant	Class Size Reduction	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ 12,505	\$ 84,119	\$ 3,634	\$ 2,204,094
-	-	-	8,280
-	-	-	36,411
-	-	-	278,211
-	-	-	633,269
-	-	-	33,505
-	-	-	70,309
12,505	84,119	3,634	3,264,079
-	69,714	-	177,935
-	-	-	349,595
-	-	-	8,702
8,289	13,966	300	567,723
-	-	-	8,379
-	-	-	2,307
1,090	-	-	1,090
120	-	-	77,165
-	-	-	29,192
-	-	710	1,935,717
-	-	-	235,456
9,499	83,680	1,010	3,393,261
3,006	439	2,624	(129,182)
-	-	-	127,225
-	-	-	127,225
3,006	439	2,624	(1,957)
(2,831)	677	(2,235)	472,453
<u>\$ 175</u>	<u>\$ 1,116</u>	<u>\$ 389</u>	<u>\$ 470,496</u>

Chardon Local School District

Combining Statement of Changes in Assets and Liabilities
Agency Fund

For the Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Student Activities				
Assets:				
Cash and Cash Equivalents	\$ 71,637	99,153	(100,239)	\$ 70,551
Total Assets	<u>\$ 71,637</u>	<u>99,153</u>	<u>(100,239)</u>	<u>\$ 70,551</u>
Liabilities:				
Accounts Payable	\$ 250	3,031	(250)	\$ 3,031
Due to Students	71,387	99,153	(103,020)	67,520
Total Liabilities	<u>\$ 71,637</u>	<u>102,184</u>	<u>(103,270)</u>	<u>\$ 70,551</u>

Chardon Local School District

**Individual Fund Schedules of Revenues, Expenditures/Expenses
and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual**

Chardon Local School District, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Food Service Fund
 For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 119,610	\$ 119,658	\$ 48
Interest	639	639	-
Food Service	615,146	615,146	-
Miscellaneous	6,886	6,886	-
Total Revenues	742,281	742,329	48
Expenditures:			
Current:			
Operation of Non-Instructional Services	852,104	845,301	6,803
<i>Total Expenditures</i>	<i>852,104</i>	<i>845,301</i>	<i>6,803</i>
<i>Excess of Revenues Over/(Under) Expenditures</i>	<i>(109,823)</i>	<i>(102,972)</i>	<i>6,851</i>
Other Financing Sources (Uses):			
Transfers In	96,225	96,225	-
<i>Total Other Financing Sources (Uses)</i>	<i>96,225</i>	<i>96,225</i>	<i>-</i>
Net Change in Fund Balance	(13,598)	(6,747)	6,851
Fund Balance (Deficit) at The Beginning of Year	7,598	7,598	-
Prior Year Encumbrances Appropriated	6,000	6,000	-
Fund Balance (Deficit) at The End of Year	<u>\$ -</u>	<u>\$ 6,851</u>	<u>\$ 6,851</u>

Chardon Local School District, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Special Trust Fund
 For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Interest	\$ 2,385	\$ 2,423	\$ 38
Miscellaneous	4,900	4,900	-
Total Revenues	7,285	7,323	38
Expenditures:			
Current:			
Operation of Non-Instructional Services	28,581	13,415	15,166
<i>Total Expenditures</i>	<i>28,581</i>	<i>13,415</i>	<i>15,166</i>
Net Change in Fund Balance	(21,296)	(6,092)	15,204
Fund Balance (Deficit) at The Beginning of Year	19,296	19,296	-
Prior Year Encumbrances Appropriated	2,000	2,000	-
Fund Balance (Deficit) at The End of Year	<u>\$ -</u>	<u>\$ 15,204</u>	<u>\$ 15,204</u>

Chardon Local School District, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Uniform School Supplies Fund
 For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Classroom Materials and Fees	\$ 33,505	\$ 33,505	\$ -
Total Revenues	<u>33,505</u>	<u>33,505</u>	<u>-</u>
Expenditures:			
Current:			
Instruction:			
Regular	<u>66,243</u>	<u>37,138</u>	<u>29,105</u>
<i>Total Expenditures</i>	<u>66,243</u>	<u>37,138</u>	<u>29,105</u>
Net Change in Fund Balance	(32,738)	(3,633)	29,105
Fund Balance (Deficit) at The Beginning of Year	<u>40,434</u>	<u>40,434</u>	<u>-</u>
Fund Balance (Deficit) at The End of Year	<u><u>7,696</u></u>	<u><u>36,801</u></u>	<u><u>29,105</u></u>

Chardon Local School District, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Summer School Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Tuition	\$ 36,756	\$ 36,756	\$ -
Total Revenues	<u>36,756</u>	<u>36,756</u>	<u>-</u>
Expenditures:			
Current:			
Instruction:			
Regular	43,555	37,049	6,506
Support Services:			
Administation	<u>1,775</u>	<u>1,373</u>	<u>402</u>
<i>Total Expenditures</i>	<u>45,330</u>	<u>38,422</u>	<u>6,908</u>
Net Change in Fund Balance	(8,574)	(1,666)	6,908
Fund Balance (Deficit) at The Beginning of Year	51,255	51,255	-
Prior Year Encumbrances Appropriated	<u>250</u>	<u>250</u>	<u>-</u>
Fund Balance (Deficit) at The End of Year	<u>\$ 42,931</u>	<u>\$ 49,839</u>	<u>\$ 6,908</u>

Chardon Local School District, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Adult Education Fund
 For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 13,063	\$ 13,303	\$ 240
Total Revenues	<u>13,063</u>	<u>13,303</u>	<u>240</u>
Expenditures:			
Current:			
Instruction:			
Adult/Continuing	<u>25,240</u>	<u>9,783</u>	<u>15,457</u>
Total Expenditures	<u>25,240</u>	<u>9,783</u>	<u>15,457</u>
Net Change in Fund Balance	(12,177)	3,520	15,697
Fund Balance (Deficit) at The Beginning of Year	24,108	24,108	-
Prior Year Encumbrances Appropriated	<u>2,240</u>	<u>2,240</u>	<u>-</u>
Fund Balance (Deficit) at The End of Year	<u>\$ 14,171</u>	<u>\$ 29,868</u>	<u>\$ 15,697</u>

Chardon Local School District, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Public School Support Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Extracurricular Activities	\$ 63,253	\$ 63,253	\$ -
Miscellaneous	41,258	41,258	-
Total Revenues	104,511	104,511	-
Expenditures:			
Current:			
Instruction:			
Regular	29,538	13,810	15,728
Support Services:			
Pupils	127,139	92,901	34,238
Instructional Staff	3,446	1,152	2,294
<i>Total Expenditures</i>	<u>160,123</u>	<u>107,863</u>	<u>52,260</u>
Net Change in Fund Balance	(55,612)	(3,352)	52,260
Fund Balance (Deficit) at The Beginning of Year	52,188	52,188	-
Prior Year Encumbrances Appropriated	3,635	3,635	-
Fund Balance (Deficit) at The End of Year	<u>\$ 211</u>	<u>\$ 52,471</u>	<u>\$ 52,260</u>

Chardon Local School District, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Other Grants Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Miscellaneous	\$ 3,190	\$ 3,190	\$ -
Total Revenues	3,190	3,190	-
Expenditures:			
Current:			
Instruction:			
Regular	3,596	2,546	1,050
Support Services:			
Pupils	710	646	64
Instructional Staff	3,802	3,450	352
Administation	1,150	497	653
<i>Total Expenditures</i>	<u>9,258</u>	<u>7,139</u>	<u>2,119</u>
Net Change in Fund Balance	(6,068)	(3,949)	2,119
Fund Balance (Deficit) at The Beginning of Year	<u>6,068</u>	<u>6,068</u>	<u>-</u>
Fund Balance (Deficit) at The End of Year	<u>\$ -</u>	<u>\$ 2,119</u>	<u>\$ 2,119</u>

Chardon Local School District, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Underground Storage Tank Fund
 For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Other Financing Sources (Uses):			
Transfers In	\$ 11,000	\$ 11,000	\$ -
<i>Total Other Financing Sources (Uses)</i>	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Net Change in Fund Balance	11,000	11,000	-
Fund Balance (Deficit) at The Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit) at The End of Year	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ -</u>

Chardon Local School District, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Athletic and Music Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Extracurricular Activities	\$ 214,942	\$ 214,942	\$ -
Miscellaneous	15,591	15,591	-
Total Revenues	230,533	230,533	-
Expenditures:			
Current:			
Support Services:			
Pupils	2,452	2,450	2
Extracurricular Activities	375,130	271,369	103,761
Total Expenditures	377,582	273,819	103,763
<i>Excess of Revenues Over/(Under) Expenditures</i>	(147,049)	(43,286)	103,763
Other Financing Sources (Uses):			
Transfers In	20,000	20,000	-
Total Other Financing Sources (Uses)	20,000	20,000	-
Net Change in Fund Balance	(127,049)	(23,286)	103,763
Fund Balance (Deficit) at The Beginning of Year	115,460	115,460	-
Prior Year Encumbrances Appropriated	15,018	15,018	-
Fund Balance (Deficit) at The End of Year	\$ 3,429	\$ 107,192	\$ 103,763

Chardon Local School District, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Auxiliary Services Fund
 For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 918,465	\$ 918,465	\$ -
Interest	5,218	5,218	-
Total Revenues	923,683	923,683	-
Expenditures:			
Current:			
Operation of Non-Instructional Services	1,111,701	1,111,701	-
<i>Total Expenditures</i>	<i>1,111,701</i>	<i>1,111,701</i>	<i>-</i>
Net Change in Fund Balance	(188,018)	(188,018)	-
Fund Balance (Deficit) at The Beginning of Year	118,506	118,506	-
Prior Year Encumbrances Appropriated	69,512	69,512	-
Fund Balance (Deficit) at The End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Chardon Local School District, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Education Management Information Systems
 For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 10,341	\$ 10,341	\$ -
Total Revenues	10,341	10,341	-
Expenditures:			
Current:			
Support Services:			
Central	32,436	29,247	3,189
<i>Total Expenditures</i>	32,436	29,247	3,189
Net Change in Fund Balance	(22,095)	(18,906)	3,189
Fund Balance (Deficit) at The Beginning of Year	22,095	22,095	-
Fund Balance (Deficit) at The End of Year	<u>\$ -</u>	<u>\$ 3,189</u>	<u>\$ 3,189</u>

Chardon Local School District, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Data Communication Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 18,000	\$ 18,000	\$ -
Total Revenues	18,000	18,000	-
Expenditures:			
Current:			
Support Services:			
Pupils	18,000	18,000	-
<i>Total Expenditures</i>	18,000	18,000	-
Net Change in Fund Balance	-	-	-
Fund Balance (Deficit) at The Beginning of Year	-	-	-
Fund Balance (Deficit) at The End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Chardon Local School District, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
SchoolNet Professional Development Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 4,140	\$ 4,140	\$ -
Total Revenues	4,140	4,140	-
Expenditures:			
Current:			
Support Services:			
Instructional Staff	4,403	4,397	6
<i>Total Expenditures</i>	4,403	4,397	6
Net Change in Fund Balance	(263)	(257)	6
Fund Balance (Deficit) at The Beginning of Year	-	-	-
Prior Year Encumbrances Appropriated	263	263	-
Fund Balance (Deficit) at The End of Year	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 6</u>

Chardon Local School District, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Ohio Reads Fund
 For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 8,000	\$ 8,000	\$ -
Total Revenues	8,000	8,000	-
Expenditures:			
Current:			
Instruction:			
Regular	8,000	8,000	-
<i>Total Expenditures</i>	8,000	8,000	-
Net Change in Fund Balance	-	-	-
Fund Balance (Deficit) at The Beginning of Year	-	-	-
Fund Balance (Deficit) at The End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Chardon Local School District, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Reading Intervention Fund
 For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 56,636	\$ 56,636	\$ -
Total Revenues	<u>56,636</u>	<u>56,636</u>	<u>-</u>
Expenditures:			
Current:			
Instruction:			
Special	<u>58,847</u>	<u>58,847</u>	<u>-</u>
<i>Total Expenditures</i>	<u>58,847</u>	<u>58,847</u>	<u>-</u>
Net Change in Fund Balance	(2,211)	(2,211)	-
Fund Balance (Deficit) at The Beginning of Year	<u>2,211</u>	<u>2,211</u>	<u>-</u>
Fund Balance (Deficit) at The End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Chardon Local School District, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Title VI-B Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 738,481	\$ 738,481	\$ -
Total Revenues	738,481	738,481	-
Expenditures:			
Current:			
Instruction:			
Regular	9,387	9,387	-
Special	144,110	134,966	9,144
Support Services:			
Pupils	481,457	457,173	24,284
Pupil Transportation	80,740	80,740	-
Operation of Non-Instructional Services	50,864	50,864	-
<i>Total Expenditures</i>	<u>766,558</u>	<u>733,130</u>	<u>33,428</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	(28,077)	5,351	33,428
Net Change in Fund Balance	(28,077)	5,351	33,428
Fund Balance (Deficit) at The Beginning of Year	7,204	7,204	-
Prior Year Encumbrances Appropriated	<u>20,873</u>	<u>20,873</u>	<u>-</u>
Fund Balance (Deficit) at The End of Year	<u>\$ -</u>	<u>\$ 33,428</u>	<u>\$ 33,428</u>

Chardon Local School District, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Title I Fund
 For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 149,448	\$ 146,772	\$ (2,676)
Total Revenues	149,448	146,772	(2,676)
Expenditures:			
Current:			
Instruction:			
Special	152,252	145,014	7,238
<i>Total Expenditures</i>	152,252	145,014	7,238
Net Change in Fund Balance	(2,804)	1,758	4,562
Fund Balance (Deficit) at The Beginning of Year	5,481	5,481	-
Fund Balance (Deficit) at The End of Year	<u>\$ 2,677</u>	<u>\$ 7,239</u>	<u>\$ 4,562</u>

Chardon Local School District, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Title VI Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 18,962	\$ 16,740	\$ (2,222)
Total Revenues	18,962	16,740	(2,222)
Expenditures:			
Current:			
Instruction:			
Special	17,139	14,103	3,036
Total Expenditures	17,139	14,103	3,036
Excess of Revenues Over/(Under) Expenditures	1,823	2,637	814
Other Financing Sources (Uses):			
Advances Out	(2,222)	(2,222)	-
Total Other Financing Sources (Uses)	(2,222)	(2,222)	-
Net Change in Fund Balance	(399)	415	814
Fund Balance (Deficit) at The Beginning of Year	399	399	-
Fund Balance (Deficit) at The End of Year	<u>\$ -</u>	<u>\$ 814</u>	<u>\$ 814</u>

Chardon Local School District, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Drug Free Schools Grant Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 15,177	\$ 12,505	\$ (2,672)
Total Revenues	15,177	12,505	(2,672)
Expenditures:			
Current:			
Support Services:			
Pupils	8,375	8,289	86
Operation and Maintenance of Plant	1,200	1,200	-
Pupil Transportation	120	120	-
<i>Total Expenditures</i>	<u>9,695</u>	<u>9,609</u>	<u>86</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	5,482	2,896	(2,586)
Other Financing Sources (Uses):			
Advances Out	(2,672)	(2,672)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(2,672)</u>	<u>(2,672)</u>	<u>-</u>
Net Change in Fund Balance	2,810	224	(2,586)
Fund Balance (Deficit) at The Beginning of Year	-	-	-
Fund Balance (Deficit) at The End of Year	<u>\$ 2,810</u>	<u>\$ 224</u>	<u>\$ (2,586)</u>

Chardon Local School District, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Class Size Reduction Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 84,119	\$ 84,119	\$ -
Total Revenues	84,119	84,119	-
Expenditures:			
Current:			
Instruction:			
Regular	69,714	69,714	-
Support Services:			
Pupils	15,082	14,661	421
<i>Total Expenditures</i>	84,796	84,375	421
Net Change in Fund Balance	(677)	(256)	421
Fund Balance (Deficit) at The Beginning of Year	638	638	-
Prior Year Encumbrances Appropriated	40	40	-
Fund Balance (Deficit) at The End of Year	<u>\$ 1</u>	<u>\$ 422</u>	<u>\$ 421</u>

Chardon Local School District, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Miscellaneous Federal Grants Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 4,954	\$ 3,142	\$ (1,812)
Total Revenues	4,954	3,142	(1,812)
Expenditures:			
Current:			
Support Services:			
Pupils	2,087	300	1,787
Operation of Non-Instructional Services	1,055	1,030	25
<i>Total Expenditures</i>	<u>3,142</u>	<u>1,330</u>	<u>1,812</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	1,812	1,812	-
Other Financing Sources (Uses):			
Advances In	423	423	-
Advances Out	(2,235)	(2,235)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(1,812)</u>	<u>(1,812)</u>	<u>-</u>
Net Change in Fund Balance	-	-	-
Fund Balance (Deficit) at The Beginning of Year	-	-	-
Fund Balance (Deficit) at The End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Chardon Local School District, Ohio
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 SchoolNet Plus Fund
 For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 30,135	\$ 30,135	\$ -
Total Revenues	30,135	30,135	-
Expenditures:			
Current:			
Support Services:			
Instructional Staff	30,135	-	30,135
Total Expenditures	30,135	-	30,135
Net Change in Fund Balance	-	30,135	30,135
Fund Balance (Deficit) at The Beginning of Year	-	-	-
Fund Balance (Deficit) at The End of Year	<u>\$ -</u>	<u>\$ 30,135</u>	<u>\$ 30,135</u>

Chardon Local School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Self-Insurance Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Operating Revenues:			
Charges for Services	\$ 3,236,876	\$ 3,238,312	\$ 1,436
<i>Total Operating Revenues</i>	3,236,876	3,238,312	1,436
Operating Expenses:			
Purchased Services	481,699	458,496	23,203
Other	2,928,101	2,757,428	170,673
<i>Total Operating Expenses</i>	3,409,800	3,215,924	193,876
Net Change in Fund Balance	(172,924)	22,388	195,312
Fund Balance (Deficit) at The Beginning of Year	773,721	773,721	-
Prior Year Encumbrances Appropriated	294	294	-
Fund Balance (Deficit) at The End of Year	<u>\$ 601,091</u>	<u>\$ 796,403</u>	<u>\$ 195,312</u>

Chardon Local School District
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Scholarship Trust Fund
 For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amount</u>		Variance with Final Budget Positive (Negative)
	<u>Final</u>	<u>Actual</u>	
Operating Revenues:			
Interest	\$ 2,676	\$ 3,052	\$ 376
Other Operating Revenues	1,000	1,000	-
<i>Total Operating Revenues</i>	3,676	4,052	376
Operating Expenses:			
Other	16,757	1,750	15,007
<i>Total Operating Expenses</i>	16,757	1,750	15,007
Fund Balance (Deficit) at The Beginning of Year	147,464	147,464	-
Fund Balance (Deficit) at The End of Year	<u>\$ 134,383</u>	<u>\$ 149,766</u>	<u>\$ 15,383</u>

Statistical Section

Chardon Local School District
General Governmental
Revenue by Source and Expenses/Expenditures by Function (1)
Last Ten Fiscal Years

	2005		2004		2003		2002	
	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual
Program Revenues								
Charges for Services	\$ 2,289,935	N/A	\$ 648,190	N/A	\$ 483,216	N/A	\$ 551,925	N/A
Operating Grants and Contributions	1,315,764	N/A	1,628,332	N/A	1,133,508	N/A	1,481,329	N/A
Capital Grants and Contribution	-	N/A	34,550	N/A	69,022	N/A	-	N/A
General Revenues								
Taxes	17,719,020	\$ 17,744,778	17,019,271	\$ 16,969,515	16,544,623	\$ 16,640,931	15,216,737	\$ 15,216,737
Intergovernmental	7,849,437	10,083,666	8,286,068	8,286,068	8,034,861	7,614,232	7,599,207	7,646,777
Interest	132,730	137,948	65,889	62,591	92,328	84,422	131,864	115,920
Tuition and Fees	-	174,355	-	135,880	-	135,069	-	-
Classroom Materials and Fees	-	180,473	-	140,883	-	125,774	-	117,216
Extracurricular Activities	-	315,936	-	33,335	-	35,359	-	33,043
Payment in Lieu of Taxes	-	-	-	6,809	-	8,038	-	-
Transportation Fee	-	-	-	-	-	9,395	-	21,008
Food Service	-	633,269	-	-	-	-	-	-
Miscellaneous	94,179	152,396	186,587	162,155	387,694	252,600	141,842	202,854
Transfers	-	-	(80,645)	-	(39,812)	-	23,267	-
Total	\$ 29,401,065	\$ 29,422,821	\$ 27,788,242	\$ 25,797,236	\$ 26,705,440	\$ 24,905,820	\$ 25,147,498	\$ 23,353,555
Expenses/Expenditures								
Current:								
Instruction:								
Regular	\$ 12,126,287	\$ 12,153,334	\$ 11,592,434	\$ 11,441,358	\$ 11,276,214	\$ 10,961,785	\$ 10,510,930	\$ 9,741,193
Special	2,836,763	2,839,783	2,729,466	2,511,229	2,419,958	2,211,004	1,940,607	1,718,973
Vocational	288,599	284,668	270,495	270,350	259,367	252,416	243,240	237,428
Adult/Continuing	8,702	8,702	-	-	-	-	-	-
Other	417,464	417,464	287,605	287,605	152,132	152,132	210,426	210,426
Support Services:								
Pupil	1,546,627	1,642,369	1,397,641	1,024,294	1,475,300	1,038,277	1,325,621	1,114,390
Instructional Staff	1,341,780	1,304,986	1,139,146	1,033,862	1,067,277	871,900	908,405	858,778
Board of Education	16,369	16,369	40,053	39,198	34,747	34,559	48,091	41,151
Administration	2,362,960	2,385,786	2,196,666	2,217,971	2,079,458	2,078,100	1,944,781	1,897,271
Fiscal	777,657	775,290	843,137	794,907	662,530	663,506	705,015	701,718
Business	339,355	337,196	350,333	354,069	345,242	346,152	323,909	318,878
Operation and Maintenance of Plant	2,424,506	2,402,728	2,556,721	2,435,334	2,425,376	2,214,997	1,516,021	2,051,894
Pupil Transportation	2,279,696	2,310,426	2,110,543	1,985,783	2,058,271	2,064,765	1,686,187	1,790,935
Central	207,287	209,844	136,260	119,629	179,906	153,893	217,090	191,575
Operation of Non-instructional Services	2,007,557	2,003,358	992,273	66,640	952,175	47,723	912,238	44,363
Extracurricular Activities	627,813	630,589	675,547	384,145	647,373	355,723	591,572	338,550
Capital Outlay	-	-	-	239,001	-	288,875	-	411,608
Debt Service	-	-	-	-	-	-	11,861	-
Total	\$ 29,609,422	\$ 29,722,892	\$ 27,318,320	\$ 25,205,375	\$ 26,035,326	\$ 23,735,807	\$ 23,095,994	\$ 21,669,131

Source: School District Financial Records

(1) Includes governmental funds for modified accrual and all governmental activities for full accrual.

Chardon Local School District
 General Governmental
 Revenue by Source and Expenses/Expenditures by Function (1) - Continued
 Last Ten Fiscal Years

	2001	2000	1999	1998	1997	1996
	Modified Accrual	Modified Accrual	Modified Accrual	Modified Accrual	Modified Accrual	Modified Accrual
Program Revenues						
Charges for Services	N/A	N/A	N/A	N/A	N/A	N/A
Operating Grants and Contributions	N/A	N/A	N/A	N/A	N/A	N/A
Capital Grants and Contribution	N/A	N/A	N/A	N/A	N/A	N/A
General Revenues						
Taxes	\$ 14,264,615	\$ 11,964,463	\$ 12,041,895	\$ 11,708,682	\$ 12,272,914	\$ 10,217,600
Intergovernmental	6,977,629	6,210,276	5,833,639	5,162,280	4,956,941	4,637,742
Interest	193,856	213,538	189,717	159,785	138,985	119,495
Tuition and Fees	187,211	119,357	108,910	122,423	122,906	199,070
Extracurricular Activities	22,465	23,969	923	24,218	23,520	21,705
Rentals	69,220	-	-	-	-	-
Miscellaneous	372,390	213,776	132,614	383,217	127,433	101,823
Total	\$ 22,087,386	\$ 18,745,379	\$ 18,307,698	\$ 17,560,605	\$ 17,642,699	\$ 15,297,435
Expenses/Expenditures						
Current:						
Instruction:						
Regular	\$ 9,182,563	\$ 9,031,286	\$ 8,766,671	\$ 7,993,438	\$ 8,258,079	\$ 7,705,985
Special	2,006,638	1,682,687	1,295,931	1,036,258	1,160,420	873,637
Vocational	202,198	213,127	209,116	343,640	352,539	287,302
Other	-	86,277	42,007	89,275	74,528	66,714
Support Services:						
Pupil	876,703	787,874	692,340	632,733	603,625	542,274
Instructional Staff	767,296	625,274	697,867	471,804	524,222	456,521
Board of Education	51,710	36,874	43,257	50,333	27,301	73,774
Administration	1,838,176	1,672,156	1,608,187	1,312,185	1,354,287	1,232,605
Fiscal	630,525	764,460	632,471	617,070	635,250	522,523
Business	266,331	298,745	268,896	238,235	240,782	213,650
Operation and Maintenance of Plant	1,999,208	1,924,341	1,766,499	1,674,545	1,643,388	1,726,300
Pupil Transportation	2,172,874	1,602,288	1,480,629	1,274,185	1,391,246	1,286,986
Central	125,981	113,078	100,555	53,105	48,653	9,233
Operation of Non-instructional Services	91,629	80,536	70,056	66,549	62,429	61,551
Extracurricular Activities	337,411	304,464	289,501	282,057	282,360	267,615
Capital Outlay	322,234	395,394	536,413	262,622	161,128	137,343
Total	\$ 20,871,477	\$ 19,618,861	\$ 18,500,396	\$ 16,398,034	\$ 16,820,237	\$ 15,464,013

Source: School District Financial Records

(1) Includes governmental funds for modified accrual and all governmental activities for full accrual.

Chardon Local School District
Property Tax Levies and Collections
Last Ten Calendar Years

Year (2)	Current Levy	Delinquent Levy (3)	Total Levy	Current Collection	Percent of Current Levy Collected	Delinquent Collection	Total Collection	Total Collection As a Percent of Current Levy
2004	\$ 18,048,291	\$ 907,960	\$ 18,956,251	\$ 17,382,058	96.31%	\$ 535,558	\$ 17,917,616	99.28%
2003	17,626,819	829,916	18,456,735	17,128,757	97.17	394,079	17,522,836	99.41
2002	17,344,877	756,620	18,101,497	16,923,569	97.57	354,839	17,278,408	99.62
2001	17,063,561	886,616	17,950,177	16,564,524	97.08	430,111	16,994,635	99.60
2000	14,126,172	626,376	14,752,548	13,637,173	96.54	295,604	13,932,777	98.63
1999	13,676,065	612,573	14,288,638	13,306,702	97.30	247,971	13,554,673	99.11
1998	13,175,578	570,012	13,745,590	12,848,967	97.52	218,048	13,067,015	99.18
1997	12,691,458	587,687	13,279,145	12,421,446	97.87	224,685	12,646,131	99.64
1996	12,258,340	487,125	12,745,465	11,989,319	97.81	146,309	12,135,628	99.00
1995	10,041,694	508,006	10,549,700	9,844,916	98.04	171,457	10,016,373	99.75

Source: Geauga County Auditor - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Auditor.

- (1) Includes Homestead/Rollback taxes assessed locally, but distribution through the State and reported as Intergovernmental Revenue.
- (2) Represents the collection year. The 2005 information cannot be presented because all collections have not been made by June 30.
- (3) This amount cannot be calculated based on other information in this statistical table because of retroactive additions and reductions which are brought on in one lump sum.

Chardon Local School District
Assessed and Estimated Actual Value of Taxable Property
Last Ten Calendar Years

Collection Year	Real Property		Public Utility/ Personal Property		Tangible Personal Property		Total		Ratio of Assessed Value to Estimated Actual Value
	Assessed Value	Estimated Actual Value(1)	Assessed Value	Estimated Actual Value(1)	Assessed Value	Estimated Actual Value(1)	Assessed Value	Estimated Actual Value(1)	
2005	\$535,357,380	\$1,529,592,514	\$20,353,160	\$23,128,590	\$30,248,210	\$120,992,840	\$585,958,750	\$1,673,713,944	35%
2004	518,061,990	1,480,177,114	18,756,460	21,314,159	34,401,850	137,607,400	571,220,300	1,639,098,673	35
2003	498,998,630	1,425,710,371	19,450,910	22,103,307	36,624,010	146,986,040	555,073,550	1,594,309,718	35
2002	451,161,920	1,289,034,057	19,116,360	21,723,136	35,455,180	141,820,720	505,733,460	1,452,577,913	35
2001	434,768,020	1,242,194,343	22,718,540	25,816,523	31,319,220	125,276,880	488,805,780	1,393,287,746	35
2000	416,470,710	1,189,916,314	21,512,370	24,445,874	31,105,800	124,423,200	469,088,880	1,338,785,388	35
1999	340,161,560	971,890,171	23,339,420	26,511,840	30,861,280	123,445,120	394,362,260	1,121,847,131	35
1998	321,778,320	919,366,629	23,776,900	27,019,204	27,426,470	109,705,880	372,981,690	1,056,091,713	35
1997	308,634,610	881,813,171	24,867,730	28,258,783	26,374,360	105,497,440	359,876,700	1,015,569,394	35
1996	273,589,130	781,683,229	25,437,850	28,906,647	24,576,800	98,307,200	323,603,780	908,897,076	35

Source: Geauga County Auditor - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Auditor

- (1) This amount is calculated based on the following percentages:
Real property is assessed at 35 percent of actual value.
Public utility/personal property is assessed at 88 percent of actual value.
Tangible personal property is assessed at 25 percent of actual value.

Chardon Local School District
Property Tax Rates – Direct and Overlapping Governments
(per \$1,000 of Assessed Valuation)
Last Ten Calendar Years

Year	School Levy	JVS	County Levy	City Levy	Library Levy	Total Levy	Debt Service Included in Total Levy		
							School	County	Total
2004	64.88	1.50	15.10	11.00	1.00	93.48	0.00	0.30	0.30
2003	64.88	1.50	15.10	11.00	1.00	93.48	0.00	0.30	0.30
2002	64.88	1.50	14.60	11.00	1.00	92.98	0.00	0.30	0.30
2001	64.88	1.50	14.40	11.00	1.00	92.78	0.00	0.30	0.30
2000	60.10	1.50	13.65	11.00	1.00	87.25	0.00	0.30	0.30
1999	60.10	1.50	13.45	11.00	1.00	87.05	0.00	0.30	0.30
1998	60.10	1.50	13.45	11.00	1.00	87.05	0.00	0.30	0.30
1997	60.10	1.50	13.45	9.20	1.00	85.25	0.00	0.30	0.30
1996	60.10	1.50	13.85	9.20	1.00	85.65	0.00	0.30	0.30
1995	54.30	1.50	11.85	9.20	1.00	77.85	0.00	0.30	0.30

Source: Geauga County Auditor - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Auditor

Chardon Local School District
Ratio of Net Obligation Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Calendar Years

Year	Net General Obligation Bonded Debt (1)	Assessed Value (2)	Chardon LSD Area Population (3)	Ratio of Net Debt to Assessed Value	Net Debt Per Capita
2005	\$ -	\$ 585,958,750	20,219	0.00%	\$ -
2004	-	571,220,300	20,219	0.00	-
2003	-	555,073,550	20,219	0.00	-
2002	-	505,733,460	20,219	0.00	-
2001	-	488,805,780	20,019	0.00	-
2000	-	469,088,880	19,252	0.00	-
1999	-	394,353,260	18,573	0.00	-
1998	-	372,981,690	18,573	0.00	-
1997	-	359,876,700	18,573	0.00	-
1996	-	323,603,780	18,573	0.00	-

Source:

- (1) School District Financial Records
- (2) Geauga County, Ohio; County Auditor
- (3) Northern Ohio Data and Information Center (Includes Chardon Township, Hambden Township, Munson Township and City of Chardon).

Chardon Local School District
 Computation of Direct and Overlapping
 General Obligation Bonded Debt
 June 30, 2005

Jurisdiction	Debt Outstanding	Percentage Applicable to School District (1)	Amount Applicable to School District
Overlapping:			
Geauga County	\$ 8,349,031	21.49%	\$ 1,794,207
City of Chardon	\$ <u>1,715,000</u>	26.28%	\$ <u>450,702</u>
Total Overlapping	\$ <u>10,064,031</u>		\$ <u>2,244,909</u>
Totals:	\$ <u>10,064,031</u>		\$ <u>2,244,909</u>

Source: Geauga County Auditor and Chardon Local School District

(1) Percentage were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the School District by the total assessed valuation of the subdivision. The valuations used were for the 2005 collection year.

Chardon Local School District
 Computation of Legal Debt Margin
 June 30, 2005

Assessed Valuation	<u><u>\$585,958,750</u></u>
Debt Limit – 9% of Assessed Value (1)	52,736,288
Amount of Debt Applicable	<u>0</u>
Overall Debt Margin	<u><u>\$52,736,288</u></u>
Debt Limit – 0.10% of Assessed Value (1)	\$585,959
Amount of Debt Applicable	<u>0</u>
Unvoted Debt Margin	<u><u>\$585,959</u></u>

Source: Geauga County Auditor and School District Financial Records

(1) Ohio Bond Law sets an overall limit of 9% for total debt and 1/10 of 1% for unvoted debt.

Chardon Local School District
Ratio of Annual Debt Service Expenditures for
General Obligation Bonded Debt to General Fund Expenditures
Last Ten Fiscal Years

Year	General Obligation Principal	General Obligation Interest	General Obligation Debt Service	Total General Fund Operating Expenditures	Ratio of General Obligation Debt Service to General Fund Operating Expenditures
2004	\$0	\$0	\$0	\$29,722,892	0.00%
2004	0	0	0	25,205,375	0.00
2003	0	0	0	23,735,807	0.00
2002	0	0	0	21,669,131	0.00
2001	0	0	0	20,871,477	0.00
2000	0	0	0	19,618,861	0.00
1999	0	0	0	18,500,396	0.00
1998	0	0	0	16,398,034	0.00
1997	0	0	0	16,820,237	0.00
1996	0	0	0	15,464,013	0.00

Source: School District Financial Records

Chardon Local School District
Demographic Statistics
Last Ten Years

Year	Geauga County Population (1)	Chardon LSD Area Population (2)	School Enrollment (3)	Geauga County Unemployment Rate (4)
2005	90,895	20,219	3,272	4.8
2004	90,895	20,219	3,273	3.9
2003	90,895	20,219	3,209	4.2
2002	90,895	20,219	3,124	4.3
2001	90,895	20,219	3,096	2.9
2000	87,913	19,252	3,046	2.8
1999	87,913	18,573	3,065	3.0
1998	86,054	18,573	3,037	3.5
1997	86,054	18,573	3,081	3.6
1996	84,260	18,573	3,001	3.8
1995	83,400	17,569	2,913	5.1

Source:

- (1) Estimated Figure from U.S. Census Bureau
- (2) State of Ohio – Office of Strategic Research
- (3) School District Records
- (4) Ohio Bureau of Labor Market Information

Chardon Local School District
 Financial Institution Deposits, Property Value and Building Permits
 Last Ten Years

Year	Property Value (1) (Real Estate Only)	Financial Institution Deposit Banks	Value of Permits Issued Geauga County	Value of Permits Issued City of Chardon	Value of Permits Issued Chardon Township	Value of Permits Issued Hambden Township	Value of Permits Issued Munson Township
2004	\$ 518,061,990	\$ 240,115,000	\$ 207,297,622	\$ 7,482,060	\$ 7,133,470	\$ 10,509,112	\$ 28,722,098
2003	498,998,630	365,826,000	218,632,818	5,252,156	5,670,126	14,689,983	12,592,387
2002	451,161,920	286,335,000	212,264,882	9,787,059	5,199,193	11,417,206	32,570,998
2001	434,458,190	253,635,000	199,824,566	3,238,777	3,746,235	9,899,308	11,264,100
2000	416,470,710	222,518,000	65,015,002	7,228,590	6,016,722	10,605,590	9,355,117
1999	340,161,560	249,478,000	47,503,140	7,434,678	2,619,585	3,827,009	5,079,955
1998	321,778,320	254,641,000	38,142,850	5,914,001	8,424,575	7,876,660	14,403,845
1997	308,634,610	222,202,000	41,162,110	5,081,400	7,414,600	7,100,658	8,122,400
1996	273,589,130	212,641,000	35,438,050	4,712,500	6,744,040	4,880,200	147,292,000
1995	263,865,210	194,409,000	28,009,880	3,792,900	5,597,000	3,454,000	10,522,783

Sources: Geauga County Auditor
 Federal Reserve Bank of Cleveland
 Building Department reports

(1) Represents assessed value.

Chardon Local School District
Principal Taxpayers
Real Property Tax
December 31, 2004

Taxpayer	Assessed Value (1)	Percentage of Total Real Property Tax Assessed Value
Heather Hill, Inc.	\$ 2,623,650	0.51%
Maple Leaf Plaza, LLC.	2,495,610	0.48
Structural North America	2,436,250	0.47
G.P. Carrollton 4200, LLC.	2,380,010	0.46
The Four C's Partnership	2,368,040	0.46
City of Chardon	1,623,650	0.31
Walter C. Best, Inc.	1,579,160	0.30
Seventh Avenue Properties	1,376,560	0.27
Center Six Corporation	1,281,680	0.25
Rhein Chemie Corporation	<u>1,198,440</u>	<u>0.23</u>
	\$ <u>19,363,050</u>	<u>3.74%</u>
Total Real Property Tax Assessed Valuation	\$ <u>518,061,990</u>	

Sources: Geauga County Auditor

(1) Assessed values are for the 2005 collection year

Chardon Local School District
Principal Taxpayers
Tangible Personal Property Tax
December 31, 2004

Taxpayer	Assessed Value(1)	Percentage of Total Tangible Personal Property Tax Assessed Value
Eltech System Corporation	\$ 3,405,860	9.90%
Essef Corporation	2,770,300	8.05
Bert Sand Corporation	2,578,220	7.49
Rhein Chemie Corporation	1,783,260	5.18
Unova Industrial Automated System, Inc.	1,423,000	4.14
Chardon Rubber Co.	1,184,860	3.44
Sunnyside Chevrolet	1,024,920	2.98
Classic Ford/Mercury	717,100	2.09
Junction Auto Sales, Inc.	714,860	2.08
Mikolsky, Inc.	649,770	1.89
	\$ <u>16,252,150</u>	<u>47.24%</u>
Total Tangible Personal Property Tax Assessed Valuation	\$ <u><u>34,401,850</u></u>	

Sources: Geauga County Auditor

(1) Assessed values are for the 2005 collection year

Chardon Local School District
Principal Taxpayers
Public Utilities Tangible Property Tax
December 31, 2004

Taxpayer	Assessed Value(1)	Percentage of Total Public Utility Tangible Property Tax Assessed Value
Cleveland Electric Illuminating Company	\$ 9,378,930	50.00%
Western Reserve Telephone	4,662,600	24.86
Alltel Communications	1,580,490	8.43
American Transmission	1,121,010	5.98
East Ohio Gas	519,880	2.77
Chardon Telephone	232,410	1.24
Ameritech Wireless	128,970	0.68
	\$ <u>17,624,290</u>	<u>93.96%</u>
Total Public Utility Tangible Property Tax Assessed Valuation	\$ <u><u>18,756,460</u></u>	

Sources: Geauga County Auditor

(1) Assessed values are for the 2005 collection year

Chardon Local School District
Per Pupil Cost
Last Ten Fiscal Years

Year	General Fund Expenditures	Average Daily Membership	Per Pupil Cost
2005	\$ 26,329,631	3,272	\$ 8,047
2004	25,205,375	3,273	7,701
2003	23,735,807	3,209	7,397
2002	21,669,131	3,124	6,936
2001	20,871,477	3,096	6,741
2000	19,618,861	3,046	6,441
1999	18,500,396	3,065	6,036
1998	16,398,034	3,037	5,399
1997	16,820,237	3,081	5,459
1996	15,464,013	3,001	5,153

Sources: School District Financial Records

Chardon Local School District
 Teacher Education and Experience
 June 30, 2005

<u>Degree</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
Bachelor's Degree	11	5.76%
Bachelor + 18 hours	13	6.81%
Bachelor + 30 hours	22	11.52%
Master's Degree	78	40.84%
Master's + 18 Hours	23	12.04%
Master's + 30 Hours	43	22.51%
Master's + 45 Hours	0	0.00%
PHD's	<u>1</u>	<u>0.52%</u>
Total	<u><u>191</u></u>	<u><u>100.00%</u></u>

<u>Year of Experience</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
0 - 5	23	12.04%
6 - 10	46	24.08%
11 and Over	<u>122</u>	<u>63.87%</u>
Total	<u><u>191</u></u>	<u><u>100.00%</u></u>

Source: School District Personnel Records



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**CHARDON LOCAL SCHOOL DISTRICT
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
APRIL 17, 2006**