

***CHARDON LOCAL SCHOOL DISTRICT***

**GEAUGA COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended June 30, 2013**







# Dave Yost • Auditor of State

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, Geauga County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 30, 2013

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**CHARDON LOCAL SCHOOL DISTRICT**  
**GEAUGA COUNTY, OHIO**  
**Audit Report**  
**For the year ended June 30, 2013**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

Chardon Local School District  
Geauga County  
428 North Street  
Chardon, Ohio 44024

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Chardon Local School District, Geauga County (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the District prepared these financial statements using the cash accounting basis. However, Ohio Administrative Code Section 117-2-03 requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

**Opinion**

In our opinion, because of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Chardon Local School District as of and for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

The District also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined necessary to supplement, although not required to be part of, the financial statements

*Supplementary Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements.

The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected the schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. For the reason stated in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2013, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Schedule of Federal Awards Expenditures.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, 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 and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Charles E. Harris & Associates, Inc.**  
October 31, 2013

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

*Combined Statement of Cash Receipts, Cash Disbursements, and  
Changes in Fund Balances - All Governmental Fund Types  
For the year ended June 30, 2013*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts</b>				
Taxes	\$ 18,217,413	-	\$ 1,284,414	\$ 19,501,827
Tuition and fees	670,824	-	-	670,824
Earnings on Investments	5,278	\$ 224	-	5,502
Food Service	-	466,566	-	466,566
Extracurricular Activities	290,372	187,860	-	478,232
Classroom Materials & Fees	208,113	-	-	208,113
Miscellaneous	212,129	141,064	-	353,193
Intergovernmental	8,887,321	2,353,334	-	11,240,655
<b>Total Cash Receipts</b>	<u>28,491,450</u>	<u>3,149,048</u>	<u>1,284,414</u>	<u>32,924,912</u>
<b>Cash Disbursements</b>				
Instruction				
Regular	12,447,053	79,648	67,784	12,594,485
Special	4,409,255	923,169	-	5,332,424
Vocational	85,351	-	-	85,351
Other	1,131,596	-	-	1,131,596
Support Services				
Pupil	1,214,834	69,289	-	1,284,123
Instructional Staff	666,283	173,334	-	839,617
Board of Education	57,347	-	-	57,347
Administration	2,180,925	-	-	2,180,925
Fiscal Services	849,989	-	23,478	873,467
Business	284,434	-	-	284,434
Operation and Maintenance	2,033,082	-	1,303,642	3,336,724
Pupil Transportation	2,226,306	-	478,302	2,704,608
Central Services	240,667	-	5,328	245,995
Non-Instructional Services				
Food Service Operations	-	1,013,232	-	1,013,232
Community Service	73,566	993,023	-	1,066,589
Extracurricular Activities				
Academic & Subject Oriented	44,190	59,115	-	103,305
Sports Oriented	316,845	152,881	-	469,726
Co-Curricular Activities	43,897	5,768	-	49,665
<b>Total Cash Disbursements</b>	<u>28,305,620</u>	<u>3,469,459</u>	<u>1,878,534</u>	<u>33,653,613</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>185,830</u>	<u>(320,411)</u>	<u>(594,120)</u>	<u>(728,701)</u>
<b>Other Financing Receipts (Disbursements):</b>				
Transfers-In	-	277,900	-	277,900
Advances-In	42,448	36,900	-	79,348
Refund of Prior Year Expenditures	72,143	-	985	73,128
Transfers-Out	(277,900)	-	-	(277,900)
Advances-Out	(37,550)	(41,798)	-	(79,348)
Sale of Assets	-	-	215,000	215,000
<b>Total Other Financing Receipts (Disbursements)</b>	<u>(200,859)</u>	<u>273,002</u>	<u>215,985</u>	<u>288,128</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(15,029)	(47,409)	(378,135)	(440,573)
Fund cash balances, July 1, 2012	<u>656,804</u>	<u>420,681</u>	<u>1,287,299</u>	<u>2,364,784</u>
Restricted	-	373,272	909,164	1,282,436
Committed	11,000	-	-	11,000
Assigned	499,435	-	-	499,435
Unassigned	<u>131,340</u>	<u>-</u>	<u>-</u>	<u>131,340</u>
<b>Fund cash balances, June 30, 2013</b>	<u>\$ 641,775</u>	<u>\$ 373,272</u>	<u>\$ 909,164</u>	<u>\$ 1,924,211</u>

The Notes to the Financial Statements are an integral part of this Statement.



**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

*Combined Statement of Cash Receipts, Cash Disbursements, and  
Changes in Fund Balances - All Proprietary and Similar Fiduciary Fund Types  
For the year ended June 30, 2013*

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Internal Service	Private Purpose Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$ 4,394,937	-	-	\$ 4,394,937
Extracurricular Activities	-	-	\$ 87,565	87,565
Earnings on Investments	-	\$ 126	-	126
Miscellaneous	-	-	30,554	30,554
<b>Total Operating Cash Receipts</b>	<u>4,394,937</u>	<u>126</u>	<u>118,119</u>	<u>4,513,182</u>
<b>Operating Cash Disbursements</b>				
Purchased Services	4,207,457	-	-	4,207,457
Other	-	-	98,652	98,652
<b>Total Operating Cash Disbursements</b>	<u>4,207,457</u>	<u>-</u>	<u>98,652</u>	<u>4,306,109</u>
<b>Net Receipts over Disbursements</b>	187,480	126	19,467	207,073
<b>Fund Cash Balances, July 1, 2012</b>	<u>1,368,487</u>	<u>158,564</u>	<u>134,327</u>	<u>1,661,378</u>
<b>Fund Cash Balances, June 30, 2013</b>	<u>\$ 1,555,967</u>	<u>\$ 158,690</u>	<u>\$ 153,794</u>	<u>\$ 1,868,451</u>

The Notes to the Financial Statements are an integral part of this statement.

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Chardon Local School District (the "District") is located in Geauga County. The District includes the City of Chardon, the Village of Aquilla and the Townships of Munson, Hambden, Chardon and part of Claridon. The District serves an area of approximately 88 square miles.

The District was organized in 1957, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates four elementary schools, one middle school, and one comprehensive high school. The District employs 143 non-certified and 207 (excluding administrative) certified full-time and part-time employees to provide services to approximately 3,159 students in grades K through 12 and various community groups.

**B. BASIS OF ACCOUNTING**

Although required by Ohio Administrative Code 117-2-03 to prepare its financial report in accordance with accounting principles generally accepted in the United States of America, the District has chosen to prepare its financial statements on a basis of accounting not in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received and cash rather than when they are earned, and disbursements are recognized when paid rather than when the liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

**C. CASH**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING

The District maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

1. General Fund

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

2. Special Revenue

Special Revenue funds used to account for the proceeds of special revenue sources, other than trusts or major capital projects that are legally restricted to expenditure for specified purposes.

*Title VI-B Fund*-This fund ensures that all children with disabilities have available to them a free appropriate public education which emphasizes special education and related services designed to meet their unique needs.

*Food Service Fund* - This fund assists the District in administering food services that provide healthful, nutritious meals to eligible children.

*Auxiliary Fund* – This fund is used for services and materials to pupils attending non-public schools within the District.

3. Capital Projects

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

*Permanent Improvement Fund*- This fund expends funds for continuous capital improvements within the District.

CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

D. **FUND ACCOUNTING – (continued)**

4. **Internal Service Fund**

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other governmental units, on a cost-reimbursement basis.

*Employee Benefits Self-Insurance Fund*-This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self insurance fund that accounts for revenue received from other funds and the settlement expenses for medical, surgical, prescription drug, and dental claims of District employees.

5. **Private Purpose Trust Funds**

These funds are used to account for assets held by the District under a trust agreement for various individuals, private organizations, or other governments and are therefore not available to support the District's own programs.

6. **Agency Funds**

Agency Funds are used account for assets held by the District, as an agent for individuals, private organizations or other governmental units and/or other funds.

*Student Activities Funds*-These funds account for student activity programs which have student participation in the activity and have students involved in the management of the program.

E. **BUDGETARY PROCESS**

1. **Tax Budget**

A budget of estimated cash receipts and disbursements is submitted to the Geauga County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

E. **BUDGETARY PROCESS - (continued)**

2. **Appropriations**

An appropriation measure is adopted by the District on or before the first day of July in each year for the period July 1 to June 30 of the following year. The appropriation measure is submitted to the County Auditor, who in turn, submits it to the County Budget Commission. The appropriation measure controls expenditures of the District. The District may, by resolution, transfer funds from one line item to another in the appropriation measure, reduce or increase any item, create new items, and make additional appropriations, subject to availability of funds and to the approval of the County Budget Commission. The District's legal level of control is set at the fund level. The budget figures in Note 3 represent the final appropriation amounts including all amendments and modifications.

3. **Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates.

4. **Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

A summary of 2013 budgetary activity appears in Note 3.

CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

F. **FUND BALANCE**

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

1. **Non-Spendable**

The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

2. **Restricted**

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

Enabling legislation authorizes the District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

3. **Committed**

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**F. FUND BALANCE – (continued)**

**4. Assigned**

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Education or a District official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

The unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification would be used only to report a deficit balance.

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

**G. PROPERTY, PLANT AND EQUIPMENT**

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

**H. ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

**I. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects the financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2013**

**2. CASH AND INVESTMENTS**

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. During the fiscal year, all investments were limited to Federal agency bonds and notes, certificates of deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, Auxiliary Services, and various trust funds, as authorized by board resolution. Interest income earned in fiscal year 2013 totaled \$5,628.

The District maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	<u>2013</u>
Demand Deposit	\$ 1,413,466
STAR-Ohio	2,377,396
Petty Cash	<u>1,800</u>
Total Deposit and Investments	<u><u>\$ 3,792,662</u></u>



**CHARDON LOCAL SCHOOL DISTRICT  
 GEAUGA COUNTY, OHIO  
 Notes To The Financial Statements  
 For the Year Ended June 30, 2013**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending June 30, 2013 is as follows:

	<u>Budgeted Receipts</u>		<u>Actual Receipts</u>		<u>Variance</u>
General	\$ 28,338,407	\$	28,606,041	\$	267,634
Special Revenue	3,667,267		3,463,848		(203,419)
Capital Projects	1,540,399		1,500,399		(40,000)
Internal Service	4,510,573		4,394,937		(115,636)
Private Purpose Trust	16,679		126		(16,553)

	<u>Appropriation Authority</u>		<u>Budgetary Disbursements</u>		<u>Variance</u>
General	\$ 28,810,849	\$	28,991,777	\$	(180,928)
Special Revenue	3,586,344		3,751,388		(165,044)
Capital Projects	1,764,190		2,096,742		(332,552)
Internal Service	4,613,661		4,207,457		406,204
Private Purpose Trust	31,477		-		31,477

**4. PROPERTY TAXES**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Geauga County Auditor's Office at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2008; an update was done in 2011.

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 usually due December 31, with the remainder payable June 20.

**CHARDON LOCAL SCHOOL DISTRICT  
 GEAUGA COUNTY, OHIO  
 Notes To The Financial Statements  
 For the Year Ended June 30, 2013**

**4. PROPERTY TAXES – (continued)**

Taxes collected from tangible personal property (other than public utility) received during calendar year 2012 represent the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied April 1, 2011 on the values listed as of December 31, 2010. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Geauga County Auditor’s Officer collects property taxes on behalf of the District. The Geauga County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 530,515,030	86.09%	\$ 529,680,080	85.35%
Public Utility Personal	85,720,570	13.91%	90,902,970	14.65%
<b>Total Valuation</b>	<b>\$ 616,235,600</b>	<b>100.00%</b>	<b>\$ 620,583,050</b>	<b>100.00%</b>

**5. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description -The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS’ Ohio website, [www.ohsers.org](http://www.ohsers.org), under “Employers/Audit Resources”.

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2013**

**5. DEFINED BENEFIT PENSION PLANS – (continued)**

**A. School Employees Retirement System – (continued)**

**Funding Policy -Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$594,092, \$591,871, and \$487,677, respectively, which equaled the required contributions. 100 percent was contributed for all fiscal years.**

**B. State Teachers Retirement System of Ohio**

**Plan Description -The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".**

**New members have choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) 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 an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB 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. The DB portion of the combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.**

**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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.**

CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2013

5. DEFINED BENEFIT PENSION PLANS – (continued)

B. State Teachers Retirement System of Ohio – (continued)

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates were established by the State Teachers Retirement Board, upon recommendations 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,788,815, \$1,738,492 and \$1,777,098, respectively; 100 percent for all fiscal years. Contributions to the DC and Combined Plans for fiscal year 2013 were \$90,343 made by the District and \$64,531 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

6. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute.

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2013

6. **POSTEMPLOYMENT BENEFITS** – (continued)

A. **School Employees Retirement System – (continued)**

**Funding Policy-** State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$70,851.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$94,199, \$85,675 and \$156,006 respectively; 100 percent has been contributed for all fiscal years.

The Retirement Board, acting with advice for the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was .74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$31,285, \$31,707 and \$36,152 respectively; 100 percent has been contributed for all fiscal years.

B. **State Teachers Retirement System of Ohio**

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

**CHARDON LOCAL SCHOOL DISTRICT  
 GEAUGA COUNTY, OHIO  
 Notes To The Financial Statements  
 For the Year Ended June 30, 2013**

**6. POSTEMPLOYMENT BENEFITS – (continued)**

**B. State Teachers Retirement System of Ohio – (continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$127,773, \$124,178 and \$63,543, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

**7. SET ASIDES**

The District is required by State statute to annually set aside monies for the purchase of capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in futures years.

During the fiscal year ended June 30, 2013, the reserve activity was as follows:

	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2012	\$ -
Current year set-aside requirement	528,922
Qualifying disbursements	<u>(1,853,515)</u>
Total	<u>\$ (1,324,593)</u>
Balance carried forward fiscal year 2014	<u>\$ -</u>

Although the District had qualifying disbursements that offset the required set aside below zero, the District may not carry this deficit forward to future years.

**CHARDON LOCAL SCHOOL DISTRICT  
 GEAUGA COUNTY, OHIO  
 Notes To The Financial Statements  
 For the Year Ended June 30, 2013**

**8. FUND TRANSFERS AND ADVANCES**

**Transfers made during the year ended June 30, 2013 were as follows:**

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 277,900
Food Service	262,900	-
Middle School Athletics	15,000	-
	<u>          </u>	<u>          </u>
Total Transfers	<u>\$ 277,900</u>	<u>\$ 277,900</u>

**The transfers from the General Fund to the Food Service fund were made to support operations. The transfers from the General Fund to the Middle School Athletics funds were made to move unrestricted balances to support programs and projects accounted for in the other funds.**

**Advances made during the year ended June 30, 2013 were as follows:**

	<u>Advance In</u>	<u>Advance Out</u>
General Fund	\$ 42,448	\$ 37,550
IDEA-B FY13	19,450	-
Title I FY12	-	41,798
Title I FY13	16,550	-
Title II-A FY 12	900	-
	<u>          </u>	<u>          </u>
Total Advances	<u>\$ 79,348</u>	<u>\$ 79,348</u>

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2013**

**9. JOINTLY GOVERNED ORGANIZATIONS**

**LAKE GEAUGA COMPUTER ASSOCIATION**

The Lake Geauga Computer Association (LGCA) is a jointly governed organization of the School District. The jointly governed organization 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 2013 the School District paid \$136,990 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 198 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. Financial information can be obtained by contacting Dr. William J. Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. On June 24, 2010, Ohio Schools Council selected Compass Energy Gas Services, LLC as the natural gas supplier and manager effective July 1, 2010 through April 1, 2013. Ohio Schools Council and Compass amended the agreement in December 2012 to extend the contract another three years; April 1, 2013 to March 31, 2016. There are currently 152 districts participating in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.



**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2013**

**9. JOINTLY GOVERNED ORGANIZATIONS - (continued)**

Ohio Schools Council partnered with the Ohio School Boards Association (OSBA), Ohio Association of School Business Officials (OASBO) and the Buckeye Association of School Administrators (BASA) to negotiate with First Energy Solutions for electric generation savings beginning June 1, 2011. The four education associations established the Power4Schools Program to endorse an electricity supplier, bringing savings on electricity and budget certainty to Ohio public schools. The program is for 8 ½ years. For the first three years the rate is \$0.0528 cents per kWh for electric generation in First Energy territories (Ohio Edison, The Illuminating Company and Toledo Edison). Similar savings, depending on market conditions, will continue for the remaining 5 ½ years of the program. The 251 districts participating in the program used 815 million kWh in FY13. Members saved a total of \$8.2 million during the second year of the program, which is a 16% savings. The total savings since the inception of the program is \$20.9 million.

**AUBURN CAREER CENTER**

The Auburn Career Center is a 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 School District's continued participation. In fiscal year 2013, the School District paid \$0 to the Career Center. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

**10. INSURANCE PURCHASING POOL**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool. The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**CHARDON LOCAL SCHOOL DISTRICT  
 GEAUGA COUNTY, OHIO  
 Notes To The Financial Statements  
 For the Year Ended June 30, 2013**

**11. RISK MANAGEMENT**

**Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the School District contracted for the following insurance coverage:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Liberty Mutual Insurance Group	Property, \$1,000 deductible	\$ 66,205,493
	General Liability, in aggregate	5,000,000
	General Liability, per occurrence	1,000,000
	Medical Expense, any one person	5,000
	Automobile Liability, single limit	1,000,000
	Comprehensive deductible	500
	Collision deductible	1,000
	Uninsured Motorists	1,000,000
	Umbrella	5,000,000
	Excess Umbrella	4,000,000
Hylant Group	Treasurer's Bond	75,000
	Public Official Bond	75,000

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

**12. CONTINGENT LIABILITIES**

The District may be a defendant in various lawsuits. Although, the outcome of the lawsuits is not presently determinable, in the opinion of legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally require 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 District at June 30, 2013.

**CHARDON LOCAL SCHOOL DISTRICT**  
**GEAUGA COUNTY, OHIO**  
**Notes To The Financial Statements**  
**For the Year Ended June 30, 2013**

13. **COMPLIANCE**

The District did not prepare its financial report in accordance with accounting principles generally accepted in the United States of America, contrary to Administrative Code Section 117-2-03.

14. **PRIOR PERIOD ADJUSTMENT**

It was determined that the Food Service Enterprise should be reclassified to the Special Revenue Fund. Changes to the fund balances are as follows:

	<u>Enterprise Fund</u>	<u>Special Revenue Funds</u>
Fund balance 6/30/12	\$ 12	\$ 420,669
Reclassification	<u>(12)</u>	<u>12</u>
Adjusted fund balance 7/1/12	<u><u>\$ 0</u></u>	<u><u>\$ 420,681</u></u>

Chardon Local School District  
Schedule of Federal Awards Expenditures  
For the Year Ending June 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Federal Receipts	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Pass through Ohio Department of Development			
Nutrition Cluster:			
Cash Assistance:			
National School Lunch Program	10.555	\$ 215,488	\$ 215,488
Breakfast Program	10.553	23,624	23,624
Non-Cash Assistance:			
National School Lunch Program	10.555	<u>32,906</u>	<u>32,906</u>
<b>Total U.S. Department of Agriculture</b>		272,018	272,018
<b><u>U.S. Department of Education</u></b>			
Pass through Ohio Department of Education			
ESEA Title I, Part A, Title I Grants to Local Education Agencies			
Title I - FY 12	84.010	25,178	26,213
Title I - FY 13	84.010	<u>201,541</u>	<u>214,196</u>
<b>Total Title I - Grants to Local Education Agencies</b>		226,719	240,409
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children			
Special Education Cluster:			
Title VI - B - FY 12	84.027	14,005	70,039
Title VI - B - FY 13	84.027	<u>675,330</u>	<u>694,343</u>
<b>Total Special Education Cluster</b>		689,335	764,382
Title III-A-English Language Acquisition Grants	84.365	3,787	3,787
Project SERV	84.184	56,031	56,031
Title II-A - Improv. Teacher Quality - FY 12	84.367	16,608	16,608
Title II-A - Improv. Teacher Quality - FY 13	84.367	<u>73,232</u>	<u>74,127</u>
<b>Total Title II-A - Improv. Teacher Quality</b>		<u>89,840</u>	<u>90,735</u>
<b>Total U.S. Department of Education</b>		<u>1,065,712</u>	<u>1,155,344</u>
<b>Total Federal Expenditures</b>		<u>\$ 1,337,730</u>	<u>\$ 1,427,362</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

**CHARDON LOCAL SCHOOL DISTRICT**  
**Geauga County, Ohio**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2013**

**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 the USDA value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2013, the District had immaterial food commodities in inventory.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS

Chardon Local School District  
Geauga County  
428 North Street  
Chardon, Ohio 44024

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Chardon Local School District, Geauga County (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated October 31, 2013, wherein we issued an adverse opinion on the financial statements because they are not prepared in accordance with generally accepted accounting principles.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-CLSD-01.

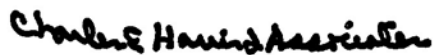
We also noted certain matters that we reported to management in a separate letter dated October 31, 2013.

***Entity's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris and Associates, Inc.***  
October 31, 2013

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Chardon Local School District  
Geauga County  
428 North Street  
Chardon, Ohio 44024

To the Board of Education:

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

We have audited the Chardon Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

***Management's Responsibility***

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal 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 our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Major Federal Program***

In our opinion, the Chardon Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.



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

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

However, we noted other matters that we reported to management in a separate letter dated October 31, 2013.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**CHARLES E. HARRIS & ASSOCIATES, INC.**  
October 31, 2013

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

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY  
June 30, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

**SCHEDULE OF FINDINGS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**Chardon Local School District**  
**Geauga County**  
**June 30, 2013**

<p><b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER 2013-CLSD-01 – Noncompliance citation**

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its financial report in accordance with generally accepted accounting principles (GAAP). However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity-wide statements, and assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**Management’s Response:** The District does not intend to report in accordance with generally accepted accounting principles. Management believes the cost savings far outweighs reporting on GAAP.

<p><b>3. FINDINGS FEDERAL AWARDS</b></p>
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**None.**

**CHARDON LOCAL SCHOOL DISTRICT  
 GEAUGA COUNTY  
 SCHEDULE OF PRIOR AUDIT FINDINGS  
 FOR THE YEAR ENDED JUNE 30, 2013**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain</b>
2012-CLSD-01	OAC 117-2-03(B) failure to prepare financial report in accordance with GAAP	No	Repeated as 2013-CLSD-01

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Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***

*Certified Public Accountants*

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**Independent Accountants' Report on Applying Agreed-Upon Procedure**

Chardon Local School District  
Geauga County  
428 North Street  
Chardon, Ohio 44024

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Chardon Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

- We noted the Board amended its anti-harassment policy at its meeting on January 9, 2012 to include prohibiting harassment, intimidation, or bullying of any student by an "electronic act". We also noted that the District's anti-harassment policy does not yet include language prohibiting harassment, intimidation, or bullying of any student "on a school bus".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Charles Harris Associates*

***Charles E. Harris & Associates, Inc.***

October 31, 2013

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# Dave Yost • Auditor of State

**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  
JANUARY 9, 2014**