



Dave Yost • Auditor of State

**CHARDON LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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**CHARDON LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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 cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Chardon Local School District, Geauga County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 such 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Chardon Local School District, Geauga County, Ohio, as of June 30, 2017, and the respective changes in cash financial position and where applicable cash flows and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2017, the District has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Federal Awards Expenditures Schedule presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

April 2, 2018

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Chardon Local School District
Statement of Net Position - Cash Basis
June 30, 2017

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$11,810,435	\$126,502	\$11,936,937
<i>Total Assets</i>	<u>\$11,810,435</u>	<u>\$126,502</u>	<u>\$11,936,937</u>
Net Position			
Restricted for:			
Permanent Improvement	\$1,349,381	\$0	\$1,349,381
Underground Storage Tanks	11,000	0	11,000
Unrestricted	10,450,054	126,502	10,576,556
<i>Total Net Position</i>	<u>\$11,810,435</u>	<u>\$126,502</u>	<u>\$11,936,937</u>

See accompanying notes to the basic financial statements

Chardon Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2017

	Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Current:			
Instruction:			
Regular	\$14,918,702	\$601,096	\$344,140
Special	5,679,327	145,434	1,698,787
Vocational	504,119	0	7,617
Student Intervention	159,145	0	16,831
Support Services:			
Pupil	2,075,537	40,186	232,266
Instructional Staff	934,252	0	37,106
Board of Education	62,999	0	
Administration	2,572,240	0	10,800
Fiscal	894,375	0	0
Business	335,102	0	0
Operation and Maintenance of Plant	2,916,294	0	0
Pupil Transportation	2,418,664	0	0
Central	259,450	0	0
Operation of Non-Instructional Services:			
Food Service Operation	914,266	588,367	265,290
Community Services	1,444,770	108,002	1,185,523
Extracurricular Activities	674,738	477,269	0
Capital Outlay	15,100	0	0
<i>Total Governmental Activities</i>	36,779,080	1,960,354	3,798,360
Business Type Activities			
Uniform School Supply	120,694	128,887	0
Latchkey	147,087	119,714	0
Scoreboard	6,319	19,745	0
<i>Total Business-Type Activities</i>	274,100	268,346	0
<i>Total</i>	\$37,053,180	\$2,228,700	\$3,798,360

General Receipts:
Property Taxes Levied for:
 General Purposes
 Capital Outlay
Grants and Entitlements not Restricted to Specific Programs
Payment in Lieu of Taxes
Sale of Capital Assets
Donations
Earnings on Investments
Miscellaneous
Refund of Prior Year Expenditure
Net Internal Service Fund Receipts (Disbursements)

Total General Receipts

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$13,973,466)	\$0	(\$13,973,466)
(3,835,106)	0	(3,835,106)
(496,502)	0	(496,502)
(142,314)	0	(142,314)
(1,803,085)	0	(1,803,085)
(897,146)	0	(897,146)
(62,999)	0	(62,999)
(2,561,440)	0	(2,561,440)
(894,375)	0	(894,375)
(335,102)	0	(335,102)
(2,916,294)	0	(2,916,294)
(2,418,664)	0	(2,418,664)
(259,450)	0	(259,450)
(60,609)	0	(60,609)
(151,245)	0	(151,245)
(197,469)	0	(197,469)
(15,100)	0	(15,100)
(31,020,366)	0	(31,020,366)
0	8,193	8,193
0	(27,373)	(27,373)
0	13,426	13,426
0	(5,754)	(5,754)
(31,020,366)	(5,754)	(31,026,120)
22,772,495	0	22,772,495
1,150,638	0	1,150,638
9,350,132	0	9,350,132
16,926	0	16,926
478	0	478
42,338	0	42,338
72,020	0	72,020
375,950	0	375,950
125,087	0	125,087
(457,268)	0	(457,268)
33,448,796	0	33,448,796
2,428,430	(5,754)	2,422,676
9,382,005	132,256	9,514,261
\$11,810,435	\$126,502	\$11,936,937

Chardon Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2017

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$8,283,527	\$1,349,380	\$941,027	\$10,573,934
<i>Total Assets</i>	<u>\$8,283,527</u>	<u>\$1,349,380</u>	<u>\$941,027</u>	<u>\$10,573,934</u>
Fund Balances				
Restricted	\$11,000	\$1,349,380	\$941,027	\$2,301,407
Assigned	3,028,807	0	0	3,028,807
Unassigned	5,243,720	0	0	5,243,720
<i>Total Fund Balances</i>	<u>\$8,283,527</u>	<u>\$1,349,380</u>	<u>\$941,027</u>	<u>\$10,573,934</u>

See accompanying notes to the basic financial statements

Chardon Local School District
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Cash Basis
June 30, 2017*

Total Governmental Fund Balances	\$10,573,934
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*Amounts reported for governmental activities in the statement of
net position are different because*

Governmental activities' net position include the internal service
funds' cash and cash equivalents. The proprietary funds'
statements include these assets.

1,236,501

Net Position of Governmental Activities

\$11,810,435

See accompanying notes to the basic financial statements

Chardon Local School District
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$22,772,496	\$1,150,638	\$0	\$23,923,134
Intergovernmental	9,708,103	159,413	3,291,150	13,158,666
Earnings on Investments	72,020	0	0	72,020
Tuition and Fees	691,491	0	0	691,491
Extracurricular Activities	347,105	0	191,483	538,588
Charges for Classroom Materials and Fees	42,280	0	0	42,280
Contributions and Donations	29,696	0	19,392	49,088
Food Service	0	0	581,756	581,756
Rentals	41,017	0	0	41,017
Fines and Forfeitures	664	0	0	664
Miscellaneous	95,509	0	345,000	440,509
<i>Total Receipts</i>	<u>33,800,381</u>	<u>1,310,051</u>	<u>4,428,781</u>	<u>39,539,213</u>
Disbursements				
Current:				
Instruction:				
Regular	14,599,523	288,615	30,564	14,918,702
Special	4,907,346	0	771,982	5,679,328
Vocational	504,119	0	0	504,119
Student Intervention	159,145	0	0	159,145
Support Services:				
Pupil	1,743,109	0	332,428	2,075,537
Instructional Staff	857,268	23,781	53,202	934,251
Board of Education	62,999	0	0	62,999
Administration	2,317,206	0	255,034	2,572,240
Fiscal	873,894	21,359	0	895,253
Business	335,102	0	0	335,102
Operation and Maintenance of Plant	2,230,118	686,176	0	2,916,294
Pupil Transportation	2,239,462	179,202	0	2,418,664
Central	259,450	0	0	259,450
Operation of Non-Instructional Services:				
Food Service Operation	0	0	914,266	914,266
Community Services	64,482	0	1,380,288	1,444,770
Extracurricular Activities	440,590	0	234,149	674,739
Capital Outlay	0	15,100	0	15,100
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
<i>Total Disbursements</i>	<u>31,593,813</u>	<u>1,214,233</u>	<u>3,971,913</u>	<u>36,779,959</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,206,568</u>	<u>95,818</u>	<u>456,868</u>	<u>2,759,254</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	478	0	0	478
Refund of Prior Year Expenditures	125,087	0	0	125,087
Refund of Prior Year Receipts	879	0	0	879
Transfers In	0	0	136,000	136,000
Transfers Out	(136,000)	0	0	(136,000)
Advances In	42,000	0	82,000	124,000
Advances Out	(82,000)	0	(42,000)	(124,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(49,556)</u>	<u>0</u>	<u>176,000</u>	<u>126,444</u>
<i>Net Change in Fund Balances</i>	2,157,012	95,818	632,868	2,885,698
<i>Fund Balances Beginning of Year</i>	<u>6,126,515</u>	<u>1,253,562</u>	<u>308,159</u>	<u>7,688,236</u>
<i>Fund Balances End of Year</i>	<u><u>\$8,283,527</u></u>	<u><u>\$1,349,380</u></u>	<u><u>\$941,027</u></u>	<u><u>\$10,573,934</u></u>

See accompanying notes to the basic financial statements

Chardon Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property Taxes	\$21,633,262	\$21,633,262	\$22,772,496	\$1,139,234
Intergovernmental	9,622,010	9,622,010	9,708,103	86,093
Earnings on Investments	50,000	50,000	72,020	22,020
Tuition and Fees	600,000	600,000	691,491	91,491
Extracurricular Activities	300,000	250,000	347,105	97,105
Charges for Classroom Materials and Fees	60,000	40,000	42,280	2,280
Contributions and Donations	20,000	22,000	29,696	7,696
Rentals	10,000	20,000	41,017	21,017
Fines and Forfeitures	5,000	500	664	164
Miscellaneous	47,976	40,251	95,509	55,258
<i>Total Receipts</i>	<u>32,348,248</u>	<u>32,278,023</u>	<u>33,800,381</u>	<u>1,522,358</u>
Disbursements				
Current:				
Instruction:				
Regular	15,200,000	15,114,258	15,009,101	105,157
Special	5,000,000	4,908,486	4,976,893	(68,407)
Vocational	375,000	366,900	504,509	(137,609)
Student Intervention	175,000	162,850	159,145	3,705
Support Services:				
Pupil	2,000,000	1,954,373	1,754,319	200,054
Instructional Staff	1,000,000	958,190	866,075	92,115
Board of Education	65,000	62,100	62,999	(899)
Administration	2,500,000	2,467,519	2,373,225	94,294
Fiscal	1,000,000	929,350	879,194	50,156
Business	425,000	409,750	336,855	72,895
Operation and Maintenance of Plant	2,500,000	2,424,479	2,281,126	143,353
Pupil Transportation	2,400,000	2,386,875	2,263,727	123,148
Central	300,000	282,425	260,315	22,110
Operation of Non-Instructional Services:				
Community Services	81,000	79,600	64,482	15,118
Extracurricular Activities	500,000	468,845	440,590	28,255
<i>Total Disbursements</i>	<u>33,521,000</u>	<u>32,976,000</u>	<u>32,232,555</u>	<u>743,445</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,172,752)</u>	<u>(697,977)</u>	<u>1,567,826</u>	<u>2,265,803</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	25	478	453
Refund of PY Expenditures	50,000	70,000	125,087	55,087
Refund of PY Receipts	0	0	879	879
Transfers Out	(150,000)	(150,000)	(136,000)	14,000
Advances In	42,000	42,000	42,000	0
Advances Out	(40,000)	(100,000)	(82,000)	18,000
<i>Total Other Financing Sources (Uses)</i>	<u>(98,000)</u>	<u>(137,975)</u>	<u>(49,556)</u>	<u>88,419</u>
<i>Net Change in Fund Balance</i>	<u>(1,270,752)</u>	<u>(835,952)</u>	<u>1,518,270</u>	<u>2,354,222</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	5,341,965	5,341,965	5,341,965	0
Prior Year Encumbrances Appropriated	784,550	784,550	784,550	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$4,855,763</u>	<u>\$5,290,563</u>	<u>\$7,644,785</u>	<u>\$2,354,222</u>

See accompanying notes to the basic financial statements

Chardon Local School District
Statement of Fund Net Position - Cash Basis
Proprietary Funds
June 30, 2017

	Business-Type Activities			Governmental Activity
	Uniform School Supply	Special Enterprise	Total Enterprise Funds	Internal Service
Assets				
Equity in Pooled Cash and Cash Equivalents	\$43,163	\$83,339	\$126,502	\$1,236,501
<i>Total Assets</i>	<u>\$43,163</u>	<u>\$83,339</u>	<u>\$126,502</u>	<u>\$1,236,501</u>
Net Position				
Unrestricted	\$43,163	\$83,339	126,502	\$1,236,501
<i>Total Net Position</i>	<u>\$43,163</u>	<u>\$83,339</u>	<u>\$126,502</u>	<u>\$1,236,501</u>

See accompanying notes to the basic financial statements

Chardon Local School District
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities			Governmental Activity
	Uniform School Supply	Special Enterprise	Total Enterprise Funds	Internal Service
Operating Receipts				
Charges for Services	\$0	\$139,460	\$139,460	\$4,876,083
Charges for Classroom Materials and Fees	128,888	0	128,888	0
<i>Total Operating Receipts</i>	128,888	139,460	268,348	4,876,083
Operating Disbursements				
Personal Services	2,355	92,093	94,448	0
Fringe Benefits	0	15,023	15,023	0
Purchased Services	28,459	4,890	33,349	732,520
Supplies and Materials	88,265	9,008	97,273	7,696
Claims	0	0	0	4,181,733
Other	0	0	0	411,402
<i>Total Operating Disbursements</i>	119,079	121,014	240,093	5,333,351
<i>Operating Income (Loss)</i>	9,809	18,446	28,255	(457,268)
Capital Contributions	(1,616)	(32,393)	(34,009)	0
<i>Change in Net Position</i>	8,193	(13,947)	(5,754)	(457,268)
<i>Net Position Beginning of Year</i>	34,970	97,286	132,256	1,693,769
<i>Net Position End of Year</i>	\$43,163	\$83,339	\$126,502	\$1,236,501

See accompanying notes to the basic financial statements

Chardon Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$66,730	\$93,141
<i>Total Assets</i>	\$66,730	\$93,141
Net Position		
Held in Trust:		
Nonexpendable	\$25,000	\$0
Expendable	41,730	0
Unclaimed Funds	0	6,868
Held on Behalf of Student Activities	0	80,548
Held on Behalf of Others	0	5,725
<i>Total Net Position</i>	\$66,730	\$93,141

See accompanying notes to the basic financial statements

Chardon Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions	
Earnings on Investments	\$1,368
<i>Total Additions</i>	1,368
Deductions	0
<i>Total Deductions</i>	0
<i>Change in Net Position</i>	1,368
<i>Net Position Beginning of Year</i>	65,362
<i>Net Position End of Year</i>	\$66,730

See accompanying notes to the basic financial statements

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Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Reporting Entity

Chardon Local School District (the "District") was organized in 1957 under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and federal guidelines.

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 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 2,908 students in grades K through 12 and various community groups.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board; and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organization for which the District authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.

The District does not have any component units.

The District participates in three jointly governed organizations. These organizations are the Lake Geauga Computer Association, Ohio Schools Council, and Auburn Career Center. The District also participates in two public entity risk pools. Jointly governed organizations and public entity risk pools are described in the following notes.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

Basis of Presentation

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

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds are eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major governmental funds are the General Fund and the Permanent Improvement Fund.

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

Permanent Improvement Fund The Permanent Improvement fund accounts for tax receipts obtained from the District's continuing 2.0 mill levy. Receipts are restricted to use for the permanent improvement of the District and its facilities.

The other governmental funds of the District account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Proprietary Funds The District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The District's major enterprise funds are the Uniform School Supply and Special Enterprise funds. The Uniform School Supply fund is used to account for supplies purchased by the District and sold to students. These items include supplies used by students in the classroom, planners, etc. The Special Enterprise fund is used to account for the receipts and disbursements of the Latchkey program and the receipts from the scoreboard advertising.

Internal Service Funds Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's internal service funds are self-insurance funds; the Employee Benefits Self Insurance Fund and the Chromebook Insurance Fund.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation, as well as an endowment. Agency funds are custodial in nature. The District's agency funds account for various student-managed activities, unclaimed funds, and OHSAA play-off games taking place in our facilities.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statement reflects the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the District's 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 presented on the financial statements as cash equivalents.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

During 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

All investment earnings accrue to the General Fund, and various trust funds, as authorized by board resolution. Interest income credited to the General Fund in fiscal year 2017 totaled \$72,020, which included \$16,093 assigned from other funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements.

Inventory

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Inventories resulting from cash transactions are presented at cost on a first-in, first-out basis and are reported as disbursements when used.

Capital Assets

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

Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. \$1,349,381 is restricted for permanent improvement and \$11,000 is restricted for underground storage tanks.

The District applies restricted resources first when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

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:

Nonspendable The nonspendable 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. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is 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 before assigned or unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting

Change in Basis of Accounting

Last year the School District reported fund financial statements by fund type using the cash basis of accounting. In implementing the other comprehensive basis of accounting described in Note 2, the fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 4 – Compliance

Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, deferred outflows/inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time.

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis), and the principal fund is budgeted as a special revenue fund but its reported as part of the General Fund on the Cash basis statements in accordance with GASB statement No. 54.

The following table summarizes the adjustment necessary to reconcile the cash basis statements to the budgetary basis statement for the General fund.

Net Change in Fund Balance

	<u>General Fund</u>
Cash Basis	\$2,157,012
Encumbrances	(638,742)
Budget Basis	<u>\$1,518,270</u>

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2017, the School District had the following investments:

	Fair Value
STAR Ohio - main acct	\$8,237,193
STAR Ohio - scholarship acct	179,117
Total	\$8,416,310

Credit Risk STAR Ohio carries a rating of AAAM by Standard and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk The District places no limit on the amount it may invest in any one issuer. 100% of the District's investments are with STAR Ohio.

Note 7 - 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.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Property taxes include amounts levied against all real and public utility property located in the School 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 for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Geauga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$539,990,250	83.12 %	\$542,212,030	83.33 %
Commercial Industrial	85,719,820	13.20 %	\$83,807,860	12.88 %
Public Utility Personal Property	23,914,950	3.68 %	24,666,620	3.79 %
Total	\$649,625,020	100.00 %	\$650,686,510	100.00 %

Note 8 - Interfund Balances

At June 30, 2017, the General Fund had unpaid interfund cash advances, in the amount of \$82,000, for short-term loans made to federal grant funds in the following amounts:

- Title VIB - \$50,000
- Title I - \$27,000
- Title II - \$5,000

The advances are expected to be repaid within one year.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 - Risk Management

The 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 2017 the District contracted with various companies for the following insurance coverage:

Company	Type of Coverage	Coverage Amount
Liberty Mutual Insurance Group	Property, \$5,000 deductible	\$ 75,237,366
	General Liability, in aggregate	2,000,000
	General Liability, per occurrence	1,000,000
	Medical Expense, any one person	15,000
	Automobile Liability, single limit	1,000,000
	Comprehensive deductible	500
	Collision deductible	1,000
	Uninsured Motorists	1,000,000
	Umbrella	10,000,000
	Limit of Liability - Aggregate	10,000,000
Hylant Group	Treasurer's Bond	100,000
	Public Official Bond	75,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

Note 10 - Defined Benefit Pension Plans

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The District's contractually required contribution to SERS was \$608,419 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,974,213 for fiscal year 2017.

Net Pension Liability

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.14317830%	0.12681750%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.14218700%</u>	<u>0.12801612%</u>	
Change in Proportionate Share	<u><u>-0.00099130%</u></u>	<u><u>0.00119862%</u></u>	
Proportionate Share of the Net Pension Liability	\$10,406,776	\$42,850,854	\$53,257,630

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, and June 30, 2015 are presented below:

	June 30, 2017	June 30, 2016
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent of net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi- Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$13,777,923	\$10,406,776	\$7,584,986

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$56,945,303	\$42,850,854	\$30,961,355

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

Note 11 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, 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 administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$74,473.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$74,473, \$72,702, and \$108,414 respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Note 12 – 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 capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Set-aside balance as of June 30, 2016	\$	-
Current year set-aside requirement		490,840
Reduced by Permanent Improvement levy revenue		<u>(1,350,051)</u>
Total	\$	<u>(859,211)</u>
Balance carried forward fiscal year 2018	\$	<u>-</u>

Note 13 – Fund Balances

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

Fund Balances	General	Permanent Improvement	Other Governmental Funds	Total
Restricted for				
Underground Storage Tanks	\$11,000	\$0	\$0	\$11,000
Permanent Improvement	0	1,349,380	0	1,349,380
District-Managed Student Activities	0	0	55,487	55,487
Food Services	0	0	69,152	69,152
Non-Public Schools	0	0	42,648	42,648
Trust Accounts	0	0	21,460	21,460
Local Grant Activity	0	0	83,367	83,367
Data Communication	0	0	6,010	6,010
Special Education	0	0	3,932	3,932
English Proficiency	0	0	6,066	6,066
Teacher Development	0	0	151	151
Disadvantaged Children	0	0	1,294	1,294
Mental Health/Recovery Services	0	0	306,460	306,460
Termination Benefits	0	0	345,000	345,000
<i>Total Restricted</i>	<u>11,000</u>	<u>1,349,380</u>	<u>941,027</u>	<u>2,301,407</u>
Assigned to				
Encumbrances	637,618	0	0	637,618
Public School Support	149,537	0	0	149,537
Other Purposes	2,241,652	0	0	2,241,652
<i>Total Assigned</i>	<u>3,028,807</u>	<u>0</u>	<u>0</u>	<u>3,028,807</u>
Unassigned (Deficit)	<u>5,243,720</u>	<u>0</u>	<u>0</u>	<u>5,243,720</u>
<i>Total Fund Balances</i>	<u>\$8,283,527</u>	<u>\$1,349,380</u>	<u>\$941,027</u>	<u>\$10,573,934</u>

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 14 - Interfund Transfers

Transfers made during the year ended June 30, 2017 were as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 136,000
Food Service	100,000	-
Athletics	36,000	-
	\$ 136,000	\$ 136,000
Total Transfers	\$ 136,000	\$ 136,000

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

Note 15 – 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, 2017.

School Foundation

School District foundation funding is based on annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. Additional ODE adjustments for fiscal year 2017 have been finalized, and resulted in no significant adjustments to the District’s funding.

Note 16 - 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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 2017 the School District paid \$152,188.18 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. The OSC's Natural Gas Program supplies natural gas to 151 member districts in Dominion East Ohio (DEO) and Columbia Gas of Ohio (COH) territories. Their current supplier and manager is Compass Energy Gas Services, LLC. In December 2012, OSC extended the base contract for sale and purchase of Natural Gas with Compass Energy Gas Services, LLC from April 1, 2013 until March 31, 2016. This new contract reduced prices to \$0.156 per city gate Dth for DEO accounts and \$0.266 per city gate Dth for COH accounts. DEO accounts are priced at the monthly NYMEX LDS price plus \$.242 per city gate Dth and Columbia Gas of Ohio accounts are priced at the monthly NYMEX LDS price plus \$.309 per city gate Dth. This includes the \$.07 per Dth participation fee.

OSC 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 (June 1, 2011 to May 31, 2014) the price for electric generation was \$0.0528 cents per kWh and the second three years (June 1, 2014 to May 31, 2017) the rate is \$0.0602 cents per kWh. These rates are for districts in First Energy territories (Ohio Edison, The Illuminating Company and Toledo Edison). Similar savings, depending on market conditions, will continue for the remaining 1 ½ years of the program.

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 2016, the School District paid nothing to the Career Center. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

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**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	\$45,109
National School Lunch Program	10.555	215,752
National School Lunch Program - Non-Cash Assistance	10.555	46,837
Total - National School Lunch Program		<u>262,589</u>
Total U.S. Department of Agriculture/Child Nutrition Cluster		<u>307,698</u>
U.S. DEPARTMENT OF EDUCATION:		
<i>Passed Through Ohio Department of Education:</i>		
<i>Special Education Cluster:</i>		
Special Education: Grants to States	84.027	8,946
		<u>772,968</u>
Total - Special Education: Grants to States		781,914
Title I Grants to Local Educational Agencies	84.010	328,068
		<u>13,677</u>
Total - Title I Grants to Local Educational Agencies		341,745
Improving Teacher Quality State Grants	84.367	5,429
		<u>32,121</u>
		37,550
English Language Acquisition State Grants	84.365	6,562
Total U.S. Department of Education		<u>1,167,771</u>
Total Federal Awards Expenditures		<u><u>\$1,475,469</u></u>

The accompanying notes are an integral part of this schedule.

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal award activity of the Chardon Local School District, Geauga County, Ohio (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chardon Local School District, Geauga County, Ohio (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 2, 2018, wherein we noted the District uses a special purpose framework other than 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 2017-001.

District'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.



Dave Yost
Auditor of State
Columbus, Ohio

April 2, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the 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) *Compliance Supplement* that could directly and materially affect the Chardon Local School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 the Major Federal Program

In our opinion, the Chardon Local School District, Geauga County, Ohio 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, 2017.

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 the Uniform Guidance, 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.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

April 2, 2018

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States, CFDA 84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2017-001

Noncompliance Finding - Annual Financial Report - Non GAAP Filing

Ohio Rev. Code § 117.38 provides that each office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the School District prepared its financial statements and notes following the cash basis of accounting. This is a comprehensive basis other than generally accepted accounting principles. The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limits.

We recommend the School District take the necessary steps to ensure the actual report is prepared in accordance with generally accepted accounting principles.

Officials' Response: See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance Finding: GAAP basis financial were not prepared as required by Ohio Admin. Code § 117-02-03(B) and Ohio Rev. Code § 117.38	Not Corrected	It is the Board's view that the costs associated with preparing GAAP statements outweigh the benefits. The District made a conscious decision to continue preparing cash statements.



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CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The District will prepare OCBOA statements for FY 2018. At this time, there is no plan to transition to GAAP statements. It is the view of the Board that the cost of preparing GAAP statements outweighs the benefits.	FY 2018	Ashley Brudno, Treasurer



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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
APRIL 24, 2018**