



OHIO AUDITOR OF STATE
KEITH FABER



**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

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CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2019, 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, 2019, and the respective changes in cash financial position 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.

Other Matters

Supplementary Information

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

The Schedule of Expenditures of Federal Awards 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 January 21, 2020, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

January 21, 2020

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Chardon Local School District
Statement of Net Position - Cash Basis
June 30, 2019

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$16,917,121	\$134,646	\$17,051,767
<i>Total Assets</i>	<u>\$16,917,121</u>	<u>\$134,646</u>	<u>\$17,051,767</u>
 Net Position			
Restricted for:			
Permanent Improvement	\$1,638,919	\$0	\$1,638,919
Underground Storage Tanks	11,000	0	11,000
Unrestricted	15,267,202	134,646	15,401,848
<i>Total Net Position</i>	<u>\$16,917,121</u>	<u>\$134,646</u>	<u>\$17,051,767</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, 2019

	Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Current:			
Instruction:			
Regular	\$14,675,227	\$771,823	\$285,529
Special	5,647,259	70,241	1,474,673
Vocational	534,192	0	7,501
Adult/Continuing	0	0	0
Student Intervention	123,206	0	11,008
Support Services:			
Pupil	2,233,163	23,091	226,060
Instructional Staff	1,156,183	0	59,580
Board of Education	86,277	0	0
Administration	2,634,370	0	7,200
Fiscal	925,842	0	0
Business	385,054	0	0
Operation and Maintenance of Plant	2,322,678	0	0
Pupil Transportation	2,997,418	0	0
Central (check PI budsumm2019a	221,420	0	0
Operation of Non-Instructional Services:			
Food Service Operation	864,112	602,789	276,058
Community Services (one amount)	1,508,645	115,559	1,221,660
Extracurricular Activities	796,625	577,385	0
Capital Outlay	47,800	0	0
<i>Total Governmental Activities</i>	37,159,471	2,160,888	3,569,269
Business Type Activity			
Uniform School Supply	155,566	164,791	0
Latchkey	123,237	114,313	0
Scoreboard	725	5,353	0
<i>Total</i>	\$37,438,999	\$2,445,345	\$3,569,269

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, Contributions to Permanent Fund, Special Item, Extraordinary Item, Transfers and Advances

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
(\$13,617,875)	\$0	(\$13,617,875)
(4,102,345)	0	(4,102,345)
(526,691)	0	(526,691)
0	0	0
(112,198)	0	(112,198)
(1,984,012)	0	(1,984,012)
(1,096,603)	0	(1,096,603)
(86,277)	0	(86,277)
(2,627,170)	0	(2,627,170)
(925,842)	0	(925,842)
(385,054)	0	(385,054)
(2,322,678)	0	(2,322,678)
(2,997,418)	0	(2,997,418)
(221,420)	0	(221,420)
14,735	0	14,735
(171,426)	0	(171,426)
(219,240)	0	(219,240)
(47,800)	0	(47,800)
(31,429,314)	0	(31,429,314)
0	9,225	9,225
0	(8,924)	(8,924)
0	4,628	4,628
(31,429,314)	4,929	(31,424,385)
24,213,016	0	24,213,016
1,148,564	0	1,148,564
8,618,958	0	8,618,958
26,931	0	26,931
43,364	0	43,364
73,562	0	73,562
327,273	0	327,273
22,997	0	22,997
237,924	0	237,924
134,098	0	134,098
34,846,687	0	34,846,687
3,417,373	4,929	3,422,302
13,499,748	129,717	13,629,465
\$16,917,121	\$134,646	\$17,051,767

Chardon Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2019

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$13,089,821	\$1,638,919	\$797,316	\$15,526,056
<i>Total Assets</i>	<u>\$13,089,821</u>	<u>\$1,638,919</u>	<u>\$797,316</u>	<u>\$15,526,056</u>
Fund Balances				
Restricted	\$35,676	\$1,638,919	\$797,316	\$2,471,911
Assigned	3,067,483	0	0	3,067,483
Unassigned	9,986,662	0	0	9,986,662
<i>Total Fund Balances</i>	<u>\$13,089,821</u>	<u>\$1,638,919</u>	<u>\$797,316</u>	<u>\$15,526,056</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, 2019*

Total Governmental Fund Balances	\$15,526,056
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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.

1,391,065

Net Position of Governmental Activities

\$16,917,121

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, 2019

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$24,213,016	\$1,148,564	\$0	\$25,361,580
Intergovernmental	8,945,740	157,297	2,808,134	11,911,171
Earnings on Investments	327,273	0	0	327,273
Tuition and Fees	809,717	0	0	809,717
Extracurricular Activities	194,653	0	411,425	606,078
Charges for Classroom Materials and Fees	27,906	0	0	27,906
Contributions and Donations	22,393	0	80,493	102,886
Food Service	0	0	875,121	875,121
Rentals	47,168	0	0	47,168
Fines and Forfeitures	6,665	0	0	6,665
Miscellaneous	84,578	0	1,315	85,893
<i>Total Receipts</i>	<u>34,679,109</u>	<u>1,305,861</u>	<u>4,176,488</u>	<u>40,161,458</u>
Disbursements				
Current:				
Instruction:				
Regular	14,036,534	524,946	113,747	14,675,227
Special	5,029,083	0	618,176	5,647,259
Vocational	534,192	0	0	534,192
Student Intervention	123,206	0	0	123,206
Support Services:				
Pupil	1,953,263	0	279,900	2,233,163
Instructional Staff	1,041,529	4,082	110,572	1,156,183
Board of Education	86,277	0	0	86,277
Administration	2,385,764	0	248,606	2,634,370
Fiscal	907,426	18,416	0	925,842
Business	385,054	0	0	385,054
Operation and Maintenance of Plant	2,148,956	166,397	7,325	2,322,678
Pupil Transportation	2,560,128	407,290	30,000	2,997,418
Central	219,604	1,816	0	221,420
Operation of Non-Instructional Services:				
Food Service Operation	0	0	864,112	864,112
Community Services	48,984	0	1,459,661	1,508,645
Extracurricular Activities	66,221	0	730,404	796,625
Capital Outlay	0	47,800	0	47,800
<i>Total Disbursements</i>	<u>31,526,221</u>	<u>1,170,747</u>	<u>4,462,503</u>	<u>37,159,471</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,152,888</u>	<u>135,114</u>	<u>(286,015)</u>	<u>3,001,987</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	43,364	0	0	43,364
Refund of Prior Year Expenditures	237,924	0	0	237,924
Transfers In	0	0	250,000	250,000
Transfers Out	(250,000)	0	0	(250,000)
Advances In	222,510	0	200,000	422,510
Advances Out	(200,000)	0	(222,510)	(422,510)
<i>Total Other Financing Sources (Uses)</i>	<u>53,798</u>	<u>0</u>	<u>227,490</u>	<u>281,288</u>
<i>Net Change in Fund Balances</i>	3,206,686	135,114	(58,525)	3,283,275
<i>Fund Balances Beginning of Year</i>	<u>9,883,135</u>	<u>1,503,805</u>	<u>855,841</u>	<u>12,242,781</u>
<i>Fund Balances End of Year</i>	<u>\$13,089,821</u>	<u>\$1,638,919</u>	<u>\$797,316</u>	<u>\$15,526,056</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, 2019*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$23,877,490	\$23,790,506	\$24,213,016	\$422,510
Intergovernmental	7,570,027	7,806,975	8,945,740	1,138,765
Earnings on Investments	0	0	327,273	327,273
Tuition and Fees	475,000	475,036	809,717	334,681
Extracurricular Activities	220,500	220,500	194,653	(25,847)
Charges for Classroom Materials and Fees	2,000	2,000	27,906	25,906
Contributions and Donations	18,000	18,000	22,393	4,393
Rentals	0	0	47,168	47,168
Fines and Forfeitures	0	0	6,665	6,665
Miscellaneous	14,500	14,500	84,578	70,078
<i>Total Receipts</i>	<u>32,177,517</u>	<u>32,327,517</u>	<u>34,679,109</u>	<u>2,351,592</u>
Disbursements				
Current:				
Instruction:				
Regular	15,754,534	15,661,229	14,108,896	1,552,333
Special	6,000,045	6,000,045	5,112,083	887,962
Vocational	568,732	568,732	534,192	34,540
Student Intervention	131,639	131,639	123,206	8,433
Support Services:				
Pupil	2,086,923	2,086,923	1,957,162	129,761
Instructional Staff	700,000	745,355	1,055,594	(310,239)
Board of Education	108,350	108,350	86,277	22,073
Administration	1,900,000	1,911,855	2,389,249	(477,394)
Fiscal	890,825	890,825	907,426	(16,601)
Business	369,979	369,979	385,054	(15,075)
Operation and Maintenance of Plant	2,362,033	2,362,033	2,172,551	189,482
Pupil Transportation	2,500,000	2,703,655	2,572,691	130,964
Central	266,550	266,550	219,604	46,946
Operation of Non-Instructional Services:				
Community Services	52,390	52,390	48,984	3,406
Extracurricular Activities	40,000	41,840	66,221	(24,381)
<i>Total Disbursements</i>	<u>33,732,000</u>	<u>33,901,400</u>	<u>31,739,190</u>	<u>2,162,210</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,554,483)</u>	<u>(1,573,883)</u>	<u>2,939,919</u>	<u>4,513,802</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	43,364	43,364
Refund of Prior Year Expenditures	0	0	237,924	237,924
Transfers Out	(250,000)	(250,000)	(250,000)	0
Advances In	222,510	222,510	222,510	0
Advances Out	(200,000)	(200,000)	(200,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(227,490)</u>	<u>(227,490)</u>	<u>53,798</u>	<u>281,288</u>
<i>Net Change in Fund Balance</i>	<u>(1,781,973)</u>	<u>(1,801,373)</u>	<u>2,993,717</u>	<u>4,795,090</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	9,369,196	9,369,196	9,369,196	0
<i>Prior Year Encumbrances Appropriated</i>	<u>513,939</u>	<u>513,939</u>	<u>513,939</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$8,101,162</u>	<u>\$8,081,762</u>	<u>\$12,876,852</u>	<u>\$4,795,090</u>

See accompanying notes to the basic financial statements

Chardon Local School District
Statement of Fund Net Position - Cash Basis
Proprietary Funds
June 30, 2019

	Business-Type Activities			Governmental Activity
	Uniform School Supply	Special Enterprise	Total Enterprise Funds	Internal Service
Assets				
Equity in Pooled Cash and Cash Equivalents	\$64,727	\$69,919	\$134,646	\$1,391,065
<i>Total Assets</i>	<u>\$64,727</u>	<u>\$69,919</u>	<u>\$134,646</u>	<u>\$1,391,065</u>
Net Position				
Unrestricted	\$64,727	\$69,919	\$134,646	\$1,391,065
<i>Total Net Position</i>	<u>\$64,727</u>	<u>\$69,919</u>	<u>\$134,646</u>	<u>\$1,391,065</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, 2019

	Business-Type Activities			Governmental Activity
	Uniform School Supply	Special Enterprise	Total Enterprise Funds	Internal Service
Operating Receipts				
Charges for Services	\$0	\$119,666	\$119,666	\$5,607,482
Charges for Classroom Materials and Fees	164,791	0	164,791	0
<i>Total Operating Receipts</i>	<u>164,791</u>	<u>119,666</u>	<u>284,457</u>	<u>5,607,482</u>
Operating Disbursements				
Personal Services	2,979	92,361	95,340	0
Fringe Benefits	538	17,115	17,653	0
Purchased Services	36,205	3,854	40,059	844,856
Supplies and Materials	111,536	8,693	120,229	3,118
Claims	0	0	0	4,052,116
Other	0	0	0	573,294
<i>Total Operating Disbursements</i>	<u>151,258</u>	<u>122,023</u>	<u>273,281</u>	<u>5,473,384</u>
<i>Income (loss) before capital contributions</i>	13,533	(2,357)	11,176	134,098
Capital Contributions	(4,309)	(1,938)	(6,247)	0
<i>Change in Net Position</i>	9,224	(4,295)	4,929	134,098
<i>Net Position Beginning of Year</i>	<u>55,503</u>	<u>74,214</u>	<u>129,717</u>	<u>1,256,967</u>
<i>Net Position End of Year</i>	<u><u>\$64,727</u></u>	<u><u>\$69,919</u></u>	<u><u>\$134,646</u></u>	<u><u>\$1,391,065</u></u>

See accompanying notes to the basic financial statements

Chardon Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$73,688	\$116,304
<i>Total Assets</i>	\$73,688	\$116,304
Net Position		
Held in Trust:		
Nonexpendable	\$25,000	\$0
Expendable	48,688	0
Unclaimed Funds	0	13,274
Held on Behalf of Student Activities	0	95,469
Held on Behalf of Others	0	7,561
<i>Total Net Position</i>	\$73,688	\$116,304

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, 2019

	Private Purpose Trust
Additions	
Earnings on Investments	\$4,338
<i>Total Additions</i>	4,338
Deductions	0
<i>Total Deductions</i>	0
<i>Change in Net Position</i>	4,338
<i>Net Position Beginning of Year</i>	69,350
<i>Net Position End of Year</i>	\$73,688

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, 2019

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 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. It is staffed by 141 classified employees, 193 certified teaching personnel, and 14 administrative employees who provide services to 2,827 students and other community members. The District currently operates 4 instructional buildings, one bus garage, and one administrative facility.

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.

Primary Government

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

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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, accessible to the District, and significant in amount to the District.

The District does not have any component units.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility.

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.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Reporting Entity – (continued)

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 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. Following are the more significant of the District's accounting policies.

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 government 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 fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies – (continued)

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.

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 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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies – (continued)

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.

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 statements reflect 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".

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies – (continued)

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 District are presented on the financial statements as cash equivalents.

During 2019, 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 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 2019, 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2019 was \$327,273 which included \$75,516 assigned from other District funds.

Cash and Investments

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 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, 2019

Note 2 - Summary of Significant Accounting Policies – (continued)

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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits and for other postemployment benefits (OPEB).

Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations.

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. \$1,638,920 is restricted for permanent improvement and \$11,000 is restricted for underground storage tanks.

The District's policy is to first apply restricted resources 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 District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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, 2019

Note 2 - Summary of Significant Accounting Policies – (continued)

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. These amounts are assigned by the District's Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education or a District official delegated by that authority by resolution or by State Statute. State statute authorizes the District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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 followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Internal Activity

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 – Accountability and 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, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

Note 4 - 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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 4 - Budgetary Basis of Accounting – (continued)

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).

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	\$3,206,686
Encumbrances	<u>(212,969)</u>
Budget Basis	<u><u>\$2,993,717</u></u>

Note 5 – Deposits and Investments

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

Active deposits are public deposits determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the 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.

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 5 – Deposits and Investments – (continued)

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, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
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 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.

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, 2019, The District had the following investments:

	Fair Value
STAR Ohio - main acct	\$12,239,810
STAR Ohio - scholarship acct	186,075
Total	\$12,425,885

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 5 – Deposits and Investments – (continued)

Credit Risk STAR Ohio carries a rating of AAAM by Standard and Poor’s. The 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 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 6 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, 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 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected 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 District receives property taxes from Geauga County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 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 2019 taxes were collected are:

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 6 – Property Taxes – (continued)

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$569,657,970	84.23 %	\$573,386,380	83.98 %
Commercial Industrial	82,005,590	12.13 %	82,306,460	12.06 %
Public Utility Personal Property	24,619,630	3.64 %	27,061,210	3.96 %
Total	\$676,283,190	100.00 %	\$682,754,050	100.00 %

Note 7 - 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 2019 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	\$ 77,505,921
	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	1,000
	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

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 8 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans – (continued)

The net pension/OPEB liability (asset) represent the District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates 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/OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

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.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans – (continued)

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 years 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$690,787 for fiscal year 2019.

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.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans – (continued)

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 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 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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.

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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans – (continued)

30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$2,078,690 for fiscal year 2019.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, 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	0.13492290%	0.12826827%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.14071830%</u>	<u>0.12848048%</u>	
Change in Proportionate Share	<u>0.00579540%</u>	<u>0.00021221%</u>	
Proportionate Share of the Net Pension Liability	\$8,059,198	\$28,249,973	\$36,309,171

Actuarial Assumptions - SERS

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

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

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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans – (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is 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.

<u>Asset Class</u>	<u>Allocation</u>	<u>Real Rate of Return</u>
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	<u>10.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings 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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans – (continued)

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%)
District's proportionate share of the net pension liability	\$11,351,988	\$8,059,198	\$5,298,414

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, are presented below:

	July 1, 2018
Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2018
Discount Rate of Return	7.5 percent

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Defined Benefit Pension Plans – (continued)

STRS' Ohio 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	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

The 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS Ohio investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the District's proportionate share of the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the 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 (6.45%) or one percentage point higher (8.45%) than the current assumption:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net pension liability	\$41,255,366	\$28,249,973	\$17,242,672

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Defined Benefit OPEB Plans

See note 8 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System

Health Care Plan Description The employer contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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 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 2019, .5 percent 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 2019, this amount was \$21,600.

Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the surcharge obligation was \$78,790.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The contractually required contribution to SERS was \$690,787 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Defined Benefit OPEB Plans – (continued)

Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy Ohio Revised Code Chapter 3307 authorizes STRS 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. 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, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability (asset) was based on the employer's share of contributions to the respective retirement systems 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 OPEB Liability			
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.13688670%	0.12826827%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.14138230%</u>	<u>0.12848048%</u>	
Change in Proportionate Share	<u>0.00449560%</u>	<u>0.00021221%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$3,922,327	(\$2,065)	\$3,920,262

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Defined Benefit OPEB Plans – (continued)

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 OPEB liability (asset) in the latest actuarial valuation date of June 30, 2018, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Defined Benefit OPEB Plans – (continued)

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 discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic pension benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease 2.7%	Current Discount Rate 3.7%	1% Increase 4.7%
Proportionate Share of the Net OPEB Liability	\$4,759,435	\$3,922,327	\$3,259,494
	1% Decrease 6.25% decreasing to 3.75%	Current Trend Rate 7.25% decreasing to 4.75%	1% Increase 8.25% decreasing to 5.75%
Proportionate Share of the Net OPEB Liability	\$3,164,598	\$3,922,327	\$4,925,696

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Defined Benefit OPEB Plans – (continued)

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
(COLA) Cost of living adjustments	0.0 percent, effective July 1, 2017
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

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:

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – Defined Benefit OPEB Plans – (continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

The 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS Ohio investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate Share of the Net OPEB Asset	\$6,718,534	\$(2,064,550)	\$3,649,951
		Current Trend Rate	
Proportionate Share of the Net OPEB Asset	\$(2,298,517)	\$(2,064,550)	\$(1,826,938)

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 – Set-Aside Requirements

The 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. Disclosure of this information is required by State statute.

	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2018	\$ -
Current year set-aside requirement	500,323
Reduced by Permanent Improvement levy revenue	<u>(1,345,861)</u>
Total	<u>\$ (845,538)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>

Although the District had qualifying offsets and disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvements set aside, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

Note 11 – 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:

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 11 – Fund Balances – (continued)

Fund Balances	General	Permanent Improvement	Other Governmental Funds	Total
Restricted for				
Underground Storage Tanks	\$11,000	\$0	\$0	\$11,000
Permanent Improvement	0	1,638,919	0	1,638,919
District-Managed Student Activities	0	0	54,909	54,909
Food Services	0	0	97,713	97,713
Non-Public Schools	0	0	49,590	49,590
Trust Accounts	0	0	20,660	20,660
Adult Education	24,676	0	0	24,676
Local Grant Activity	0	0	103,304	103,304
Data Communication	0	0	3,600	3,600
Special Education	0	0	(180,168)	(180,168)
English Proficiency	0	0	12,628	12,628
Teacher Development	0	0	(2,554)	(2,554)
Disadvantaged Children	0	0	(18,507)	(18,507)
Mental Health/Recovery Services	0	0	211,268	211,268
Preschool Handicap	0	0	(1,999)	(1,999)
Termination Benefits	0	0	447,712	447,712
Miscellaneous Grants	0	0	(840)	(840)
<i>Total Restricted</i>	<u>35,676</u>	<u>1,638,919</u>	<u>797,316</u>	<u>2,471,911</u>
Assigned to				
Encumbrances	203,359	0	0	203,359
Public School Support	167,329	0	0	167,329
Other Purposes	<u>2,696,795</u>	<u>0</u>	<u>0</u>	<u>2,696,795</u>
<i>Total Assigned</i>	<u>3,067,483</u>	<u>0</u>	<u>0</u>	<u>3,067,483</u>
Unassigned (Deficit)	<u>9,986,662</u>	<u>0</u>	<u>0</u>	<u>9,986,662</u>
<i>Total Fund Balances</i>	<u><u>\$13,089,821</u></u>	<u><u>\$1,638,919</u></u>	<u><u>\$797,316</u></u>	<u><u>\$15,526,056</u></u>

Note 12 - Interfund Activity

Transfers made during the year ended June 30, 2019 were as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 250,000
Athletics	<u>250,000</u>	<u>-</u>
Total Transfers	<u><u>\$ 250,000</u></u>	<u><u>\$ 250,000</u></u>

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.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 12 - Interfund Activity – (continued)

Advances made during the year ended June 30, 2019 were as follow:

	Advance In	Advance Out
General Fund	\$ 222,510	\$ 200,000
Other Governmental Funds	200,000	222,510
Total Advances	\$ 422,510	\$ 422,510

The advances from the Other Governmental Funds into the General Fund were for the return of advances in the prior year. The advances from the General Fund into the Other Government Funds were for a short-term loan made to the grant funds. The advances are expected to be repaid within on year.

Note 13 – Contingent Liabilities

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, 2019.

School Foundation The District foundation funding is based on the 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. ODE has finalized the adjustments and they did not have any significant impact on the District’s funding. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

Note 14 - Jointly Governed Organizations

LAKE GEAUGA COMPUTER ASSOCIATION

The Lake Geauga Computer Association (LGCA) is a jointly governed organization of the District. The jointly governed organization was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its nineteen member Districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA’s continued existence is not dependent on the 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 District. In fiscal year 2019 the District paid \$171,961 to Lake Geauga Computer Association 8221 Auburn Road, Painesville, Ohio 44077.

Chardon Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 - Jointly Governed Organizations – (continued)

OHIO SCHOOLS' COUNCIL

The Ohio Schools Council Association (Council) is a jointly governed organization among 249 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 District participates in the natural gas purchase program. This program allows the District to purchase natural gas at reduced rates. The OSC's Natural Gas Program supplies natural gas to 150 plus 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, 2016 until March 31, 2019. The new contract is approximately \$1.44/Dth lower than the Columbia Gas of Ohio's current SSO (standard service offer) and \$0.34/Dth lower than the Dominion East Ohio's SSO.

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 2019, the District paid nothing to the Career Center. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$ 59,135
National School Lunch Program	10.555	212,596
National School Lunch Program - Non-Cash Assistance	10.555	41,926
Total - National School Lunch Program		<u>254,522</u>
Total U.S. Department of Agriculture/Child Nutrition Cluster		<u>313,657</u>
U.S. DEPARTMENT OF EDUCATION:		
Passed Through Ohio Department of Education:		
<u>Special Education Cluster:</u>		
Special Education: Grants to States	84.027	32,474
		<u>434,833</u>
Total - Special Education: Grants to States		467,307
Special Education Preschool Grants	84.173	<u>4,230</u>
Total - Special Education Cluster		471,537
Title I Grants to Local Educational Agencies	84.010	237,092
English Language Acquisition State Grants	84.365	3,810
Improving Teacher Quality State Grants	84.367	561
		<u>53,712</u>
Total - Improving Teacher Quality State Grants		54,273
Title IV-A Student Support	84.424	<u>27,039</u>
Total U.S. Department of Education		<u>793,751</u>
Total Expenditures of Federal Awards		<u>\$ 1,107,408</u>

The accompanying notes are an integral part of this schedule.

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Chardon Local School District, Geauga County, Ohio (the District) under programs of the federal government for the year ended June 30, 2019. 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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 E – FOOD DONATION PROGRAM

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



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**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, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon date January 21, 2020, 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 2019-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 21, 2020



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**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 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 Chardon Local School District's major federal program for the year ended June 30, 2019. 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 each of 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, Chardon Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

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.



Keith Faber
Auditor of State
Columbus, Ohio

January 21, 2020

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
June 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

(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 Cluster, CFDA 84.027 and 84.173
(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 2019-001

Noncompliance Finding - Annual Financial Report - Non-GAAP Filing

Ohio Rev. Code §117.38 provides that each public 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(B), which further clarifies the requirements of **Ohio Rev. Code § 117.38**, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to **Ohio Rev. Code § 117.38** the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District’s ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Official’s Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Noncompliance Finding – Ohio Rev. Code § 117.38: The District does not prepare GAAP basis financial statements.	Not Corrected	At this time, Chardon Local Schools has no plan of action to file under GAAP. The Board believes in weighing out the cost and finds that the addition costs with filing under GAAP is not cost effective. Repeated as 2019-001

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**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2019**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	At this time, Chardon Local Schools has no plan of action to file under GAAP. The Board believes in weighing out the cost and finds that the addition costs with filing under GAAP is not cost effective.	N/A	Deb Armbruster, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



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
FEBRUARY 18, 2020**