

CHARDON LOCAL SCHOOL DISTRICT

GEAUGA COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Chardon Local School District, Geauga County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Chardon Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 16, 2011

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CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Audit Report
For the year ended June 30, 2010

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of the Chardon Local School District, Geauga County, Ohio (the District), as of and for the year ended June 30, 2010. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the accompanying financial statements do not present fairly, the financial position, results of operations, and cash flows, where applicable of the Chardon Local School District as of and for the year ended June 30, 2010 in accordance with accounting principles generally accepted in the United States of America.

In accordance with Note 15, the District changed to the cash basis of accounting. Also, funds were reclassified from Special Revenue Funds to Enterprise Funds.

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

In accordance with *Government Auditing Standards*, we have issued our report dated November 15, 2010, on our consideration of Chardon Local School 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 testing of internal control over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or compliance. That report is the integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

We conducted our audit to opine on the District's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the District's financial statements. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2010, or the changes in financial position or its cash flows for the year then ended. Therefore, we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.

Charles E. Harris & Associates, Inc.

November 15, 2010

Chardon Local School District
*Combined Statement of Cash Receipts, Cash Disbursements, and
 Changes in Fund Balances - All Governmental Fund Types
 For the year ended June 30, 2010*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Taxes	\$ 18,155,515	-	\$ 1,166,802	\$ 19,322,317
Tuition	193,772	\$ -	-	193,772
Earnings on Investments	9,036	178	-	9,214
Extracurricular Activities	49,520	211,236	-	260,756
Classroom Materials & Fees	114,262	-	-	114,262
Miscellaneous	143,065	69,199	-	212,264
Revenue in Lieu of Taxes	14,391	-	-	14,391
Unrestricted Grants-in-Aid - State	9,918,821	-	156,408	10,075,229
Restricted Grants-in-Aid - State	99,786	880,794	-	980,580
Restricted Grants-in-Aid - Federal	68,101	1,769,022	-	1,837,123
Total Cash Receipts	<u>28,766,269</u>	<u>2,930,429</u>	<u>1,323,210</u>	<u>33,019,908</u>
Cash Disbursements				
Instruction				
Regular	13,540,368	320,365	87,785	13,948,518
Special	4,338,665	1,131,790	-	5,470,455
Vocational	243,461	-	-	243,461
Other	753,877	45,067	-	798,944
Support Services				
Pupil	1,203,019	117,483	-	1,320,502
Instructional Staff	1,098,470	1,520	-	1,099,990
Board of Education	99,312	-	-	99,312
Administration	2,055,336	111,366	19,669	2,186,371
Fiscal Services	927,477	-	21,667	949,144
Business	336,549	-	-	336,549
Operation and Maintenance	2,523,295	1,244	691,528	3,216,067
Pupil Transportation	2,449,171	108,020	121,153	2,678,344
Central Services	199,853	26,321	-	226,174
Non-Instructional Services				
Community Service	79,008	885,532	-	964,540
Extracurricular Activities				
Academic & Subject Oriented	40,616	56,019	-	96,635
Sports Oriented	327,541	142,145	-	469,686
Co-Curricular Activities	40,073	3,616	-	43,689
Total Cash Disbursements	<u>30,256,091</u>	<u>2,950,488</u>	<u>941,802</u>	<u>34,148,381</u>
Total receipts over/(under) disbursements	<u>(1,489,822)</u>	<u>(20,059)</u>	<u>381,408</u>	<u>(1,128,473)</u>
Other Financing Receipts (Disbursements):				
Proceeds from Sale or Loss of Assets	4,374	-	-	4,374
Transfers-In	-	15,926	-	15,926
Advances-In	239,889	268,087	-	507,976
Refund of Prior Year Expenditures	70,040	-	-	70,040
Transfers-Out	(246,004)	-	-	(246,004)
Advances-Out	(268,087)	(239,889)	-	(507,976)
Total Other Financing Receipts (Disbursements)	<u>(199,788)</u>	<u>44,124</u>	<u>-</u>	<u>(155,664)</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(1,689,610)	24,065	381,408	(1,284,137)
Fund cash balances, July 1, 2009 - Restated - See Note 15	<u>2,576,186</u>	<u>643,547</u>	<u>526,435</u>	<u>3,746,168</u>
Fund cash balances, June 30, 2010	<u>\$ 886,576</u>	<u>\$ 667,612</u>	<u>\$ 907,843</u>	<u>\$ 2,462,031</u>
Reserves for encumbrances, June 30, 2010	<u>\$ 315,366</u>	<u>\$ 324,801</u>	<u>\$ 289,149</u>	<u>\$ 929,316</u>

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

Chardon Local School District

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Balances - Proprietary and Similar Fiduciary Fund Types
For the year ended June 30, 2010*

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Private Purpose Trust	Agency	
Operating Cash Receipts:					
Tuition	\$ 34,370	-	-	-	\$ 34,370
Earnings on Investments	-	-	\$ 189	-	189
Charges for Services	580,159	-	-	-	580,159
Extracurricular Activities	-	-	-	\$ 138,426	138,426
Classroom Materials & Fees	81,625	-	-	-	81,625
Miscellaneous	2,538	\$4,359,417	-	14,764	4,376,719
Total Operating Cash Receipts	698,692	4,359,417	189	153,190	5,211,488
Operating Cash Disbursements:					
Personal Services	443,779	-	-	-	443,779
Fringe Benefits	227,737	-	-	-	227,737
Purchased Services	9,412	622,983	-	-	632,395
Supplies and Materials	452,540	-	-	-	452,540
Other	495	-	-	160,848	161,343
Claims	-	3,413,428	-	-	3,413,428
Total Operating Cash Disbursements	1,133,963	4,036,411	-	160,848	5,331,222
 Operating Income/(Loss)	 (435,271)	 323,006	 189	 (7,658)	 (119,734)
Non-Operating Cash Receipts/(Disbursements):					
Earnings on Investments	22	-	-	-	22
Restricted Grants-in-Aid - State	3,638	-	-	-	3,638
Unrestricted Grants-in-Aid - Federal	179,263	-	-	-	179,263
Capital Outlay	(11,770)	-	-	-	(11,770)
Total Non-Operating Cash Receipts	171,153	-	-	-	171,153
 Excess of receipts over/(under) disbursements before interfund transfers and advances	 (264,118)	 323,006	 189	 (7,658)	 51,419
Transfers-In	230,078	-	-	99	230,177
Transfers-Out	-	-	-	(99)	(99)
Net Receipts over Disbursements	(34,040)	323,006	189	(7,658)	281,497
 Fund Cash Balances, July 1, 2009 - Restated - See Note 15	 153,388	 979,468	 158,333	 75,183	 1,366,372
Fund Cash Balances, June 30, 2010	\$ 119,348	\$1,302,474	\$ 158,522	\$ 67,525	\$ 1,647,869
 Reserve for Encumbrances, June 30, 2010	 \$ 24,908	 \$ 9,495	 \$ 6,158	 \$ 4,345	 \$ 44,906

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

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

The District currently operates four elementary schools, one middle school, and one comprehensive high school. The District employs 88 non-certified and 137 (excluding administrative) certified full-time and part-time employees to provide services to approximately 1,878 students in grades K through 12 and various community groups.

B. BASIS OF ACCOUNTING

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

C. CASH

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

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

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2010

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

D. **FUND ACCOUNTING**

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

Governmental Funds

1. **General Fund**

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

2. **Special Revenue**

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

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

Fiscal Stabilization Fund – This fund was created to support and restore elementary, secondary and postsecondary education, early childhood programs and services.

3. **Capital Projects**

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

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

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

4. Enterprise Fund

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

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

5. Internal Service Fund

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

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

6. Private Purpose Trust Funds

These funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations, or other governments. These trust funds do not support the school district's own programs.

Endowments- This fund accounts for scholarship programs for students.

7. Agency Funds

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

Student Activities Fund- This fund accounts for student activity programs which have student participation in the activity and have students involved in the management of the program.

E. BUDGETARY PROCESS

1. Tax Budget

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

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2010

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

E. **BUDGETARY PROCESS** (continued)

2. **Appropriations**

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

3. **Estimated Resources**

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

4. **Encumbrances**

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

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

A summary of 2010 budgetary activity appears in Note 3.

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

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

2. CASH AND INVESTMENTS

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, Food Service, Auxiliary Services, and various trust funds, as authorized by board resolution. Interest income earned in fiscal year 2010 totaled \$9,425.

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2010**

2. CASH AND INVESTMENTS – (continued)

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

	2010
Demand Deposit	\$ 377,941
STAR-Ohio	3,592,864
Sweep Account	137,295
Petty Cash	1,800
Total Deposit and Investments	\$4,109,900

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2010 is as follows:

2010 Budgeted vs. Actual Receipts			
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 29,080,090	\$ 29,080,572	\$ 482
Special Revenue	3,139,409	3,214,442	75,033
Capital Projects	1,323,210	1,323,210	-
Internal Service	4,359,418	4,359,417	(1)
Private Purpose Trust	173	189	16
Enterprise	1,111,292	1,111,693	401

2010 Appropriation vs. Actual Budgetary Basis Expenditures			
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 31,524,605	\$ 31,085,548	\$ 439,057
Special Revenue	3,782,955	3,515,178	267,777
Capital Projects	1,659,874	1,230,951	428,923
Internal Service	4,087,914	4,045,906	42,008
Private Purpose Trust	31,471	6,158	25,313
Enterprise	1,218,602	1,170,641	47,961

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2010**

4. PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Geauga County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2008; an update will be done in 2011. The next revaluation is scheduled for 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory is 0% in 2010.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

The full tax rate at the fiscal year ended June 30, 2010 was \$49.50 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2010 taxes were collected were as follows:

	<u>2009 Second Half Collections</u>		<u>2010 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$ 645,691,750	96.13%	\$ 649,037,200	97.74%
Public Utility Personal	13,805,090	2.06%	14,976,050	2.26%
General Business Personal	<u>12,218,810</u>	<u>1.82%</u>	<u>-</u>	<u>0.00%</u>
Total Valuation	\$ <u>671,715,650</u>	<u>100.00%</u>	\$ <u>664,013,250</u>	<u>100.00%</u>

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2010**

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the fiscal year 2009 (the latest information available), 12.78% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$593,327, \$385,239 and \$395,166, respectively; 100 percent for all fiscal years.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employer retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2010**

5. DEFINED BENEFIT PENSION PLANS – (continued)

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2009 (the latest information available), plan members are required to contribute 10 percent of their annual covered salary. The School District is required to contribute 14 percent; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employers contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,904,630, \$1,823,159 and \$1,692,933, respectively; 100 percent has been contributed for all fiscal years.

6. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care costs in the form of a monthly premium. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2009 (the latest information available) the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$137,651 during fiscal year 2010.

**CHARDON LOCAL SCHOOL DISTRICT
 GAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2010**

6. POSTEMPLOYMENT BENEFITS– (continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.7 billion at June 30, 2009 (the latest information available). For the year ended June 30, 2009, total health care costs paid by STRS were \$298.1 million and STRS had 129,659 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below the federal poverty levels. Premiums are reduced by 50% for those who apply.

For the year ended June 30, 2009 (the latest information available) employer contributions to fund health care benefits were 1.22% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year ended June 30, 2009, the minimum pay has been established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Health care claims expense increased from \$226.4 million to \$215.4 million at June 30, 2009 (the latest information available). At June 30, 2009, SERS had net assets available for payment of health care benefits of \$376.5 million. SERS has approximately 203,133 members who are active and retired non-teaching public school employees. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$22,050 during the 2010 fiscal year.

7. CAPITAL LEASES

	Balance Outstanding <u>06/30/09</u>	Additions	Reductions	Balance Outstanding <u>06/30/10</u>	Amounts Due in <u>One Year</u>
Capital Leases	\$ 157,225	\$ -	\$ (50,465)	\$ 106,760	\$ 51,988

In prior years the School District entered into a capital lease for the acquisition of copiers.

8. SET ASIDES

The District is required by State statute to annually set aside monies for purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and/or qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts were only used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in futures years.

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2010**

8. SET ASIDES – (continued)

During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2009	\$ (211,393)	\$ -
Current year set-aside requirement	509,772	509,772
Qualifying disbursements	<u>(331,214)</u>	<u>(1,810,995)</u>
Total	<u>\$ (32,835)</u>	<u>\$ (1,301,223)</u>
Balance carried forward fiscal year 2011	<u>\$ (32,835)</u>	<u>\$ -</u>

9. FUND TRANSFERS

Transfers made during the year ended June 30, 2010 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 246,004
Food Service	230,078	-
Educational Management Information Systems	<u>15,926</u>	<u>-</u>
Total Transfers	<u>\$ 246,004</u>	<u>\$ 246,004</u>

The transfers from the general fund to the food service and the educational management information systems special revenue funds were made to move unrestricted balances to support programs and projects accounted for in other funds.

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2010**

10. JOINTLY GOVERNED ORGANIZATIONS

LAKE GEAUGA COMPUTER ASSOCIATION

The Lake Geauga Computer Association (LGCA) is a jointly governed organization of the School District. The jointly governed organization was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2010, the School District paid \$86,973 to LGCA. Financial information can be obtained from Loretta Peterson, the Treasurer of the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

OHIO SCHOOLS' COUNCIL ASSOCIATION

The Ohio Schools Council Association (Council) is a jointly governed organization among 126 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. In fiscal year 2010, the School District paid \$1,971 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA was selected as the new natural gas supplier and program manager. The new program runs from October 1, 2008 to September 30, 2010. There are currently 144 districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2010**

10. JOINTLY GOVERNED ORGANIZATIONS– (continued)

The School District also participates in the Council's electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates. Each month, the Council invoiced participants based on estimated payments which are compared to their actual usage for the year (July to June). Refund checks were issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed were invoiced. With the end of the program on December 31, 2008, the School District purchased its electricity from the local area utility, Cleveland Electric Illuminating. In late October 2009, the School District joined a new Ohio Schools Council consortium electricity purchasing program which provides for additional discounts above what the School District would receive otherwise.

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 2010, the School District paid \$400 to the Career Center. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

11. INSURANCE PURCHASING POOL

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

12. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2010, the School District contracted for the following insurance coverage:

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2010**

12. RISK MANAGEMENT– (continued)

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Indiana Insurance Company	Property, \$1,000 deductible	\$ 62,889,841
	General Liability, in aggregate	2,000,000
	General Liability, per occurrence	1,000,000
	Medical Expense, any one person	15,000
	Automobile Liability, single limit	1,000,000
	Comprehensive deductible	500
	Collision deductible	1,000
	Uninsured Motorists	500,000
Fidelity and Deposit	Blanket Bond Crime	100,000
Traveler's Casualty and Surety Co.	Treasurer's Bond	200,000
	Public Official Bond	75,000

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

13. CONTINGENT LIABILITIES

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

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

14. COMPLIANCE

District follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and is noncompliant with Ohio Administrative Code Section 117-2-03(B) and thus was issued an adverse opinion.

15. CHANGE IN BASIS OF ACCOUNTING

The District changed their financial statement presentation from Generally Accepted Accounting Principles to the cash basis. Governmental and business-type activities were eliminated. Also, the District reclassified various Special Revenue Funds to Enterprise Funds. Changes to the fund balances are as follows:

**CHARDON LOCAL SCHOOL DISTRICT
 GEauga COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2010**

15. CHANGE IN BASIS OF ACCOUNTING (continued)

Fund Statements

	General Fund	Other Governmental Funds	Special Revenue Funds	Capital Project Funds
GAAP Basis				
June 30, 2009	\$3,808,202	\$824,509	\$0	\$0
Accrual Adjustments	1,232,016	(824,509)	0	0
Reclassifications	0	0	643,547	526,435
Cash Balance				
July 1, 2009	<u>\$2,576,186</u>	<u>\$0</u>	<u>\$643,547</u>	<u>\$526,435</u>

	Enterprise Fund	Internal Service Fund
GAAP Basis		
June 30, 2009	\$0	\$788,783
Accrual Adjustments	0	190,685
Reclassifications	153,388	0
Cash Balance		
July 1, 2009	<u>\$153,388</u>	<u>\$979,468</u>

Entity-Wide Statements

	Governmental Activities
GAAP Basis	
June 30, 2009	\$10,886,532
Accrual Adjustments	<u>(10,886,532)</u>
GAAP Basis	
July 1, 2009	<u>\$0</u>

Chardon Local School District
Schedule of Federal Awards Expenditures
For the Year Ending June 30, 2010

Federal Grantor/Pass Through Grantor Number/Program Title	Pass Through Entity Number	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Nutrition Cluster:				
Pass through Ohio Department of Development				
Cash Assistance:				
National School Lunch Program	N/A	10.555	\$179,263	\$179,263
Direct Program:	N/A	10.553		
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	<u>\$74,320</u>	<u>\$74,320</u>
Total U.S. Department of Agriculture			\$253,583	\$253,583
<u>U.S. Department of Education</u>				
Pass through Ohio Department of Education				
ESEA Title I, Part A, Title I Grants to Local Education Agencies				
ARRA - Title I-D	N/A	84.389	9,840	9,840
Title I - FY 09	047183-C1S1-2009	84.010	6,665	8,003
Title I - FY 10	047183-C1S1-2010	84.010	106,521	111,249
Title I-D - FY 10	047183-C1S1-2010	84.010	<u>15,190</u>	<u>15,190</u>
Total Title I - Grants to Local Education Agencies			138,216	144,282
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children				
Special Education Cluster:				
ARRA - Title VI - B - FY 10	N/A	84.391	333,234	339,122
Title VI - B - FY 09 with Advance	047183-6BSF-2009	84.027	174,619	343,806
Title VI - B - FY 10	047183-6BSF-2010	84.027	<u>657,986</u>	<u>780,427</u>
Total Special Education Cluster			1,165,839	1,463,355
Title IV - SDFSC - FY 10	047183-DRS1-2010	84.186	5,519	5,519
Title V - FY 09 - Advance	047183-C2S1-2009	84.298	2,377	2,377
ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)				
	N/A	84.394	372,617	372,617
ARRA Title II-D - FY 10	N/A	84.312	317	218
Title II-A - Improv. Teacher Quality - FY 09	047183-TRS1-2010	84.367	-	29
Title II-A - Improv. Teacher Quality - FY 10	047183-TRS1-2010	84.367	84,138	84,139
Total Title II-A - Improv. Teacher Quality			<u>84,138</u>	<u>84,168</u>
Total U.S. Department of Education			1,769,023	2,072,536
Total Federal Expenditures			<u>\$ 2,022,606</u>	<u>\$ 2,326,119</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

CHARDON LOCAL SCHOOL DISTRICT
Geauga County, Ohio
Notes to the Federal Awards Expenditure Schedule
For the Year Ended June 30, 2010

1. Significant Accounting Policies

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

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2010, the District had immaterial food commodities in inventory.

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

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

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

To the Board of Education:

We have audited the financial statements of Chardon Local School District, Geauga County Ohio (the District) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010, wherein we noted the District followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America and changed its financial statement presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2010-CLSD-01.

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

We noted certain matters that we reported to management of Chardon Local School District in a separate letter dated November 15, 2010.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

Charles E. Harris and Associates, Inc.

November 15, 2010

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

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Chardon Local School District, Geauga County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Chardon Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

CHARLES E. HARRIS & ASSOCIATES, INC.

November 15, 2010

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

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY
June 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Adverse
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Special Education CFDA#: 84.027 ARRA - Special Education CFDA#: 84.391 ARRA - State Fiscal Stabilization Fund CFDA #: 84.394
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY
June 30, 2010

<p>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2010-CLSD-01 – Noncompliance citation

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

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

<p>3. FINDINGS FOR FEDERAL AWARDS</p>
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None.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2009, reported no material citations or recommendations.

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Dave Yost • Auditor of State

CHARDON LOCAL SCHOOL DISTRICT

GEAUGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 1, 2011