



Dave Yost • Auditor of State

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the Chardon Local School District, Geauga County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 1 of the financial statements, the District prepared these financial statements using the cash accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Chardon Local School District as of and for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

The Federal Award Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

Because of the significance of the matter described in the *Basis for Adverse Opinion* paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, 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.



Dave Yost
Auditor of State
Columbus, Ohio

March 25, 2015

Chardon Local School District
Geauga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended June 30, 2014

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property Taxes	\$20,024,331	\$0	\$1,126,468	\$21,150,799
Intergovernmental	9,918,387	2,720,586	162,192	12,801,165
Tuition and Fees	594,255	0	0	594,255
Extracurricular Activities	443,109	186,423	0	629,532
Materials & Fees	225,644	0	0	225,644
Food Service	0	487,873	0	487,873
Earnings on Investments	2,620	15	0	2,635
Miscellaneous	292,076	127,014	0	419,090
<i>Total Cash Receipts</i>	<u>31,500,422</u>	<u>3,521,911</u>	<u>1,288,660</u>	<u>36,310,993</u>
Cash Disbursements				
Instruction				
Regular	12,375,509	85,552	60,517	12,521,578
Special	4,980,668	529,361	0	5,510,029
Vocational	333,709	0	0	333,709
Other	1,224,299	0	0	1,224,299
Support Services				
Pupil	1,276,700	615,776	0	1,892,476
Instructional Staff	789,551	10,741	0	800,292
Board of Education	53,859	0	0	53,859
Administration	2,573,127	90,326	114,166	2,777,619
Fiscal Services	1,155,889	0	20,441	1,176,330
Business	415,533	0	0	415,533
Operation and Maintenance	2,013,515	0	573,080	2,586,595
Pupil Transportation	2,265,800	0	125,317	2,391,117
Central Services	284,253	0	7,602	291,855
Non-Instructional Services				
Food Service Operation	0	871,399	0	871,399
Community Service	83,017	1,031,613	0	1,114,630
Extracurricular Activities				
Academic & Subject Oriented	49,609	64,706	0	114,315
Sports Oriented	354,194	156,341	0	510,535
Co-Curricular Activities	55,356	4,531	0	59,887
Facilities Acquisition and Construction Services	0	0	174,497	174,497
<i>Total Cash Disbursements</i>	<u>30,284,588</u>	<u>3,460,346</u>	<u>1,075,620</u>	<u>34,820,554</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,215,834</u>	<u>61,565</u>	<u>213,040</u>	<u>1,490,439</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	11,080	0	250	11,330
Refunds of Prior Year Receipts	17,271	(47)	0	17,224
Refunds of Prior Year Expenditures	339,659	0	11,073	350,732
Transfers In	0	75,000	0	75,000
Transfers Out	(75,000)	0	0	(75,000)
Advances In	36,900	0	0	36,900
Advances Out	0	(36,900)	0	(36,900)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>329,910</u>	<u>38,053</u>	<u>11,323</u>	<u>379,286</u>
Special Item	16,050	0	0	16,050
<i>Net Change in Fund Cash Balances</i>	1,561,794	99,618	224,363	1,885,775
<i>Fund Cash Balances, July 1</i>	<u>641,775</u>	<u>373,272</u>	<u>909,164</u>	<u>1,924,211</u>
Fund Cash Balances, June 30				
Restricted	11,000	472,890	1,050,950	1,534,840
Committed	1,083,996	0	0	1,083,996
Assigned	0	0	82,577	82,577
Unassigned (Deficit)	1,108,573	0	0	1,108,573
<i>Fund Cash Balances, June 30</i>	<u>\$2,203,569</u>	<u>\$472,890</u>	<u>\$1,133,527</u>	<u>\$3,809,986</u>

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

Chardon Local School District
Geauga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended June 30, 2014

	Proprietary Fund		Fiduciary Fund Types		Totals
	Types				(Memorandum Only)
	Internal Service	Private Purpose Trust	Agency		
Operating Cash Receipts					
Charges for Services	\$4,549,086	\$0	\$0		\$4,549,086
Extracurricular Activities	0	0	99,707		99,707
Earnings on Investments (trust funds only)	0	40	0		40
<i>Total Operating Cash Receipts</i>	<u>4,549,086</u>	<u>40</u>	<u>99,707</u>		<u>4,648,833</u>
Operating Cash Disbursements					
Purchased and Contracted Services	618,125	0	0		618,125
Claims	3,466,710	0	0		3,466,710
Other	239,055	0	106,593		345,648
<i>Total Operating Cash Disbursements</i>	<u>4,323,890</u>	<u>0</u>	<u>106,593</u>		<u>4,430,483</u>
<i>Operating Income (Loss)</i>	<u>225,196</u>	<u>40</u>	<u>(6,886)</u>		<u>218,350</u>
Non-Operating Receipts (Disbursements)					
Refund of Prior Year Expenditures	14,596	0	0		14,596
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>14,596</u>	<u>0</u>	<u>0</u>		<u>14,596</u>
<i>Net Change in Fund Cash Balances</i>	239,792	40	(6,886)		232,946
<i>Fund Cash Balances, July 1</i>	<u>1,555,967</u>	<u>158,690</u>	<u>153,794</u>		<u>1,868,451</u>
<i>Fund Cash Balances, June 30</i>	<u>\$1,795,759</u>	<u>\$158,730</u>	<u>\$146,908</u>		<u>\$2,101,397</u>

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

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

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

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

The District is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are the Auburn Career Center, the Lake Geauga Computer Association, the Ohio Schools Council Association, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Program. These organizations are presented in Notes 9 and 10 to the financial statements.

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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

D. FUND ACCOUNTING

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

Governmental Funds

1. General Fund

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

2. Special Revenue

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

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

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

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

3. Capital Projects

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

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

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

D. FUND ACCOUNTING – (continued)

4. Internal Service Fund

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

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

5. Private Purpose Trust Funds

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

6. Agency Funds

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

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

E. BUDGETARY PROCESS

1. Tax Budget

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

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.

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

E. BUDGETARY PROCESS – (continued)

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 projected increases or decreases in receipts are identified by the Treasurer.

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 2014 budgetary activity appears in Note 3.

F. FUND BALANCE

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

1. Non-Spendable

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

2. Restricted

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

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

F. FUND BALANCE – (continued)

3. Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. 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.

4. Assigned

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

5. Unassigned

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

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

G. PROPERTY, PLANT AND EQUIPMENT

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

H. ACCUMULATED LEAVE

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

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

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

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2014**

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, 2014.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, Auxiliary Services, and various trust funds, as authorized by board resolution. Interest income earned in fiscal year 2014 totaled \$2,675.

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:

	2014
Demand Deposit	\$ 246,282
STAR Ohio	5,665,101
Total Deposit and Investments	\$ 5,911,383

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**CHARDON LOCAL SCHOOL DISTRICT
 GEauga COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2014**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2014 is as follows:

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 31,049,130	\$ 31,921,382	\$ 872,252
Special Revenue	3,298,855	3,596,911	298,056
Capital Projects	1,940,277	1,299,983	(640,294)
Internal Service	6,055,967	4,563,682	(1,492,285)
Private Purpose Trust	0	40	40
Total	<u>42,344,229</u>	<u>41,381,998</u>	<u>(962,231)</u>

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 30,500,000	\$ 30,359,588	\$ 140,412
Special Revenue	3,964,834	3,497,293	467,541
Capital Projects	1,500,000	1,075,620	424,380
Internal Service	4,600,000	4,323,890	276,110
Private Purpose Trust	61,000	0	61,000
Total	<u>40,625,834</u>	<u>39,256,391</u>	<u>1,369,443</u>

4. 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 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 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 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 School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2014**

4. PROPERTY TAXES – (continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 620,583,050	97.31%	\$ 618,078,210	97.16%
Public Utility Personal	17,166,380	2.69%	18,089,280	2.84%
Total Valuation	<u>\$ 637,749,430</u>	<u>100.00%</u>	<u>\$ 636,167,490</u>	<u>100.00%</u>

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$552,633, \$594,092, and \$591,871, respectively, which equaled the required contributions. 100 percent of required contributions were contributed for all fiscal years.

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2014**

5. DEFINED BENEFIT PENSION PLANS – (continued)

B. State Teachers Retirement System of Ohio

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

New members have choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates were established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,674,103, \$1,788,815, and \$1,738,492 respectively; 100 percent of required contributions were contributed for all fiscal years. Contributions to the DC and Combined Plans for fiscal year 2014 were \$114,467 made by the District and \$89,939 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2014**

6. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS - covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS - covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$84,022, \$94,199, and \$85,675 respectively; 100 percent of required contributions were contributed for all fiscal years.

The Retirement Board, acting with advice for the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was .76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$30,015, \$31,285, and \$31,707 respectively; 100 percent of required contributions were contributed for all fiscal years.

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2014**

6. POSTEMPLOYMENT BENEFITS – (continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$128,777, \$127,773, and \$124,178, respectively; 100 percent of required contributions were contributed for all fiscal years.

7. SET ASIDES

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

During the fiscal year ended June 30, 2014, the reserve activity was as follows:

		Capital Improvements
Set-aside balance as of June 30, 2013	\$	0
Current year set-aside requirement		513,050
Qualifying disbursements		<u>(1,053,893)</u>
Total	\$	<u>(540,843)</u>
Balance carried forward fiscal year 2015	\$	<u>0</u>

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

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2014**

8. FUND TRANSFERS AND ADVANCES

Transfers made during the year ended June 30, 2014 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 75,000
Food Service	60,000	-
Middle School Athletics	15,000	-
	<u> </u>	<u> </u>
Total Transfers	<u>\$ 75,000</u>	<u>\$ 75,000</u>

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

Advances made during the year ended June 30, 2014 were as follows:

	<u>Advance In</u>	<u>Advance Out</u>
General Fund	\$ 36,900	\$ -
IDEA-B FY13	-	19,450
Title I FY13	-	16,550
Title I FY14	-	900
	<u> </u>	<u> </u>
Total Advances	<u>\$ 36,900</u>	<u>\$ 36,900</u>

9. JOINTLY GOVERNED ORGANIZATIONS

LAKE GEAUGA COMPUTER ASSOCIATION

The Lake Geauga Computer Association (LGCA) is a jointly governed organization of the School District. The jointly governed organization was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2014 the School District paid \$121,661 to LGCA. Financial information can be obtained from Loretta Peterson, the Treasurer of the Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2014**

9. JOINTLY GOVERNED ORGANIZATIONS – (continued)

OHIO SCHOOLS' COUNCIL

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

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

In FY14 (July 2013 to June 2014), 151 members saved a total of \$1,164,097.36 on 3,236,082 Mcf of natural gas. The average price of Natural Gas for fiscal year 2014 was \$5.391 Mcf (\$5.16 Dth) for Columbia Gas of Ohio and \$5.348 Mcf (\$4.89 Dth) for Dominion East Ohio Gas.

Members are billed using a monthly level billing. The level billing amounts are adjusted each year based on the prior year's usage and the best estimate of the cost of gas from our gas management company. Due to actual gas prices and usage being higher than estimated for 2013-14, 33% of the members were billed for true-up and 67% of the members were issued credits towards their regular monthly level billing in 2014-15.

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 2 ½ years of the program. The 251 districts participating in the program used 818 million kWh in FY14. Members saved a total of \$9.3 million during the third year of the program, which is an 18.2% savings. The total savings since the inception of the program is \$30.2 million.

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2014**

9. JOINTLY GOVERNED ORGANIZATIONS – (continued)

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 2014, the School District paid nothing to the Career Center. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

10. INSURANCE PURCHASING POOL

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

11. RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the School District contracted for the following insurance coverage:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Liberty Mutual Insurance Group	Property, \$5,000 deductible	\$ 70,230,034
	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	5,000,000
	Limit of Liability - Aggregate	5,000,000
Hylant Group	Treasurer's Bond	75,000
	Public Official Bond	75,000

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

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2014

11. RISK MANAGEMENT – (continued)

Self-Insurance Health Care

The District is self-insured for employee health insurance. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on interfund rates actuarially determined cost by the claims administrator.

12. CONTINGENT LIABILITIES

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

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

13. COMPLIANCE

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

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**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>					
<i>Passed Through Ohio Department of Education</i>					
<i>Nutrition Cluster:</i>					
School Breakfast Program	10.553	\$23,624	\$0	\$23,624	\$0
National School Lunch Program	10.555	215,488	37,661	215,488	37,661
Total Nutrition Cluster		<u>239,112</u>	<u>37,661</u>	<u>239,112</u>	<u>37,661</u>
Total U.S. Department of Agriculture		<u>239,112</u>	<u>37,661</u>	<u>239,112</u>	<u>37,661</u>
<u>U.S. Department of Education</u>					
<i>Passed Through Ohio Department of Education</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	689,335	0	711,697	0
Title I Grants to Local Educational Agencies	84.010	226,719	0	198,403	0
English Language Acquisition Grants	84.365	6,864	0	0	0
Safe and Drug-Free Schools and Communities	84.184	0	0	235,886	0
Improving Teacher Quality State Grants	84.367	89,839	0	63,260	0
Total U.S. Department of Education		<u>1,012,757</u>	<u>0</u>	<u>1,209,246</u>	<u>0</u>
Total Federal Assistance		<u><u>1,251,869</u></u>	<u><u>\$37,661</u></u>	<u><u>\$ 1,448,358</u></u>	<u><u>\$37,661</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Chardon Local School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - 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 C – FOOD DONATIONS

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Chardon Local School District, Geauga County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2015, wherein we issued an adverse opinion on the financial statements because the statements are not prepared in accordance with generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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 2014-001.

Entity's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

March 25, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Chardon Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Chardon Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Chardon Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 25, 2015

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse
(d)(1)(ii)	Were there any material control weaknesses 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 internal control weaknesses 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 § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA #'s 10.553/10.555: Nutrition Cluster # 84.027 Special Education Grants to States
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)

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

Financial Reporting Basis

<i>Finding Number</i>	2014-001
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NONCOMPLIANCE

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) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America.

The District prepared its fiscal year 2014 financial statements and notes following a cash basis of accounting. This is a comprehensive basis other than generally accepted accounting principles. The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code §117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limits.

We recommend the District prepare its annual report in accordance with generally accepted accounting principles.

Official's Response: The District chose to prepare its financial statements and notes on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-CLSD-01	OAC 117-2-03(B) failure to prepare Annual Financial Report in accordance with GAAP	No	Repeated as 2014-001

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on January 13, 2014 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus".

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

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 25, 2015

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Dave Yost • Auditor of State

CHARDON LOCAL SCHOOL DISTRICT

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 9, 2015**