



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, 2016, 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 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, Geauga County, Ohio, as of and for the year ended June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Supplementary Information*

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

The Federal Awards Expenditures Schedule presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is also 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 express 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 January 4, 2017, 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

January 4, 2017

**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, 2016*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts</b>				
Property Taxes	\$22,371,019		\$1,136,429	\$23,507,448
Intergovernmental	9,482,082	\$2,426,164	158,932	12,067,178
Tuition and Fees	645,273			645,273
Extracurricular Activities	389,734	162,363		552,097
Materials & Fees	75,610			75,610
Food Service		578,623		578,623
Earnings on Investments	27,714			27,714
Contributions and Donations	45,200	52,760		97,960
Miscellaneous	110,935	3,825		114,760
<i>Total Cash Receipts</i>	<u>33,147,567</u>	<u>3,223,735</u>	<u>1,295,361</u>	<u>37,666,663</u>
<b>Cash Disbursements</b>				
<b>Instruction</b>				
Regular	13,107,087	116,700	246,817	13,470,604
Special	4,760,714	458,480		5,219,194
Vocational	456,772			456,772
Other	1,407,700			1,407,700
<b>Support Services</b>				
Pupil	1,587,165	498,394		2,085,559
Instructional Staff	880,401	1,359	54,891	936,651
Board of Education	58,617			58,617
Administration	2,473,862	97,458		2,571,320
Fiscal Services	846,266		20,499	866,765
Business	437,848			437,848
Operation and Maintenance	2,195,858		947,103	3,142,961
Pupil Transportation	2,375,308		163,982	2,539,290
Central Services	297,914			297,914
<b>Non-Instructional Services</b>				
Food Service Operation		973,570		973,570
Community Service	80,537	1,334,278		1,414,815
Other Non-Instructional Services	37			37
<b>Extracurricular Activities</b>				
Academic & Subject Oriented	56,158	45,572		101,730
Sports Oriented	364,010	190,353		554,363
Co-Curricular Activities	32,958	105		33,063
Facilities Acquisition and Construction Services			17,182	17,182
<i>Total Cash Disbursements</i>	<u>31,419,212</u>	<u>3,716,269</u>	<u>1,450,474</u>	<u>36,585,955</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,728,355</u>	<u>(492,534)</u>	<u>(155,113)</u>	<u>1,080,708</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	6,316			6,316
Refunds of Prior Year Receipts	134			134
Refunds of Prior Year Expenditures	142,378	118		142,496
Transfers In		131,000		131,000
Transfers Out	(131,000)			(131,000)
Advances In	10,000	42,000		52,000
Advances Out	(42,000)	(10,000)		(52,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(14,172)</u>	<u>163,118</u>		<u>148,946</u>
Special Item - Insurance Proceeds	3,227			3,227
<i>Net Change in Fund Cash Balances</i>	1,717,410	(329,416)	(155,113)	1,232,881
<i>Fund Cash Balances, July 1</i>	<u>4,409,105</u>	<u>637,576</u>	<u>1,408,676</u>	<u>6,455,357</u>
<b>Fund Cash Balances, June 30</b>				
Restricted	11,000	216,524	1,253,563	1,481,087
Committed	784,550	91,636		876,186
Unassigned	5,330,965			5,330,965
<i>Fund Cash Balances, June 30</i>	<u>\$6,126,515</u>	<u>\$308,160</u>	<u>\$1,253,563</u>	<u>\$7,688,238</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, 2016

	Proprietary Fund Types		Fiduciary Fund Types		Totals
	Enterprise	Internal Service	Private Purpose Trust	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>					
Charges for Services and Sales	\$104,568	\$4,676,799			\$4,781,367
Extracurricular Activities				\$88,954	88,954
Classroom Materials and Fees	97,440				97,440
Earnings on Investments			\$532		532
<i>Total Operating Cash Receipts</i>	<u>202,008</u>	<u>4,676,799</u>	<u>532</u>	<u>88,954</u>	<u>4,968,293</u>
<b>Operating Cash Disbursements</b>					
Salaries	68,954				68,954
Employee Fringe Benefits	10,217				10,217
Purchased and Contracted Services	33,758	697,912			731,670
Materials and Supplies	123,726	4,892	24,806	7,220	160,644
Claims		3,448,943			3,448,943
Other		346,750		90,799	437,549
<i>Total Operating Cash Disbursements</i>	<u>236,655</u>	<u>4,498,497</u>	<u>24,806</u>	<u>98,019</u>	<u>4,857,977</u>
<i>Operating Income (Loss)</i>	<u>(34,647)</u>	<u>178,302</u>	<u>(24,274)</u>	<u>(9,065)</u>	<u>110,316</u>
<b>Non-Operating Receipts</b>					
Refund of Prior Year Expenditures		2,537			2,537
Unclaimed Funds				3,687	3,687
<i>Total Non-Operating Receipts</i>		<u>2,537</u>		<u>3,687</u>	<u>6,224</u>
<i>Net Change in Fund Cash Balances</i>	<u>(34,647)</u>	<u>180,839</u>	<u>(24,274)</u>	<u>(5,378)</u>	<u>116,540</u>
<i>Fund Cash Balances, July 1</i>	<u>166,905</u>	<u>1,512,931</u>	<u>89,636</u>	<u>90,857</u>	<u>1,860,329</u>
<i>Fund Cash Balances, June 30</i>	<u>\$132,258</u>	<u>\$1,693,770</u>	<u>\$65,362</u>	<u>\$85,479</u>	<u>\$1,976,869</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, 2016**

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 2,907 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, 2016**

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 are 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. The District has the following significant special revenue funds.

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. The District has the following capital projects fund.

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, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

Proprietary Funds

4. Enterprise Fund

The Enterprise Fund is used to account for activity for which a fee is charged to external users for goods or services. The School District's enterprise funds account for the Latchkey program and the Uniform School Supply program.

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. The District has the following internal service fund.

Employee Benefits Self-Insurance Fund - 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.

Fiduciary Funds

6. 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.

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. The District has the following agency funds.

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

E. BUDGETARY PROCESS

1. Tax Budget

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

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2016**

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 2016 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:

**CHARDON LOCAL SCHOOL DISTRICT**  
**GEAUGA COUNTY, OHIO**  
**Notes To The Financial Statements**  
**For the Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. FUND BALANCE - (continued)

1. Non-Spendable

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

2. Restricted

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

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

3. Committed

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

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.

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. FUND BALANCE - (continued)

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.

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.

**CHARDON LOCAL SCHOOL DISTRICT  
 GEauga COUNTY, OHIO  
 Notes To The Financial Statements  
 For the Year Ended June 30, 2016**

2. CASH AND INVESTMENTS – (continued)

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, 2016.

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, and various trust funds, as authorized by board resolution. Interest income earned in fiscal year 2016 totaled \$28,246.

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:

	2016
Demand Deposit	\$ 1,156,327
STAR-Ohio	8,508,780
Total Deposit and Investments	\$ 9,665,107

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended June 30, 2016 is as follows:

	Budgeted Receipts	Actual Receipts	Variance
General	\$ 32,549,905	\$ 33,309,622	\$ 759,717
Special Revenue	4,149,045	3,396,853	(752,192)
Capital Projects	1,256,866	1,295,361	38,495
Enterprise	210,000	202,008	(7,992)
Internal Service	4,780,000	4,679,336	(100,664)
Private Purpose Trust	100	532	432

**CHARDON LOCAL SCHOOL DISTRICT  
 GEAUGA COUNTY, OHIO  
 Notes To The Financial Statements  
 For the Year Ended June 30, 2016**

3. BUDGETARY ACTIVITY - (continued)

	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 32,919,694	\$ 32,376,628	\$ 543,066
Special Revenue	3,953,250	3,871,350	81,900
Capital Projects	1,900,000	1,568,743	331,257
Enterprise	300,000	259,965	40,035
Internal Service	5,015,000	4,501,927	513,073
Private Purpose Trust	55,000	24,806	30,194

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Geauga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	Amount	Percent	Amount	Percent
Residential/Agricultural	\$ 536,921,060	83.50%	\$ 539,990,250	83.12%
Commercial/Industrial	86,089,810	13.39%	85,719,820	13.20%
Public Utility Personal	19,974,660	3.11%	23,914,950	3.68%
Total Valuation	\$ 642,985,530	100.00%	\$ 649,625,020	100.00%



**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2016**

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund. 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, 2016, 2015, and 2014, \$618,212, \$603,458, and \$553,864, respectively, which equaled the required contributions. 100 percent was contributed for all fiscal years.

B. State Teachers Retirement System of Ohio

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

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

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2016**

5. DEFINED BENEFIT PENSION PLANS – (continued)

A DC 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 2016, plan members were required to contribute 13 percent of their annual covered salaries. The District was required to contribute 14 percent. The entire 14 percent was 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 13 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, 2016, 2015, and 2014, were \$1,885,766, \$1,844,465, and \$1,674,103, respectively; 100 percent for all fiscal years.

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, 2016, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

6. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. 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](http://www.ohsers.org), under "Employers/Audit Resources".

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2016**

6. POSTEMPLOYMENT BENEFITS – (continued)

Funding Policy- State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2016, no allocation 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. For 2016, this amount was \$23,000. Statute provides 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 2016, the District's surcharge obligation was \$72,702.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014, were \$72,702, \$108,414, and \$84,336, respectively; 100 percent has been contributed for all fiscal years.

B. State Teachers Retirement System of Ohio

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

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 2016, STRS Ohio did not allocate any employer contributions to post employment healthcare. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$0, and \$128,777, respectively. 100 percent has been contributed for all three 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, 2016, the reserve activity was as follows:

**CHARDON LOCAL SCHOOL DISTRICT  
 GEAUGA COUNTY, OHIO  
 Notes To The Financial Statements  
 For the Year Ended June 30, 2016**

7. SET ASIDES – (continued)

Set-aside balance as of June 30, 2015	\$	-
Current year set-aside requirement		493,534
Reduced by Permanent Improvement levy revenue		<u>(1,135,762)</u>
Total		<u>\$ (642,228)</u>
Balance carried forward fiscal year 2017		<u><u>\$ -</u></u>

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

8. FUND TRANSFERS AND ADVANCES

Transfers made during the year ended June 30, 2016 were as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 131,000
Food Service	100,000	-
Middle School Athletics	<u>31,000</u>	<u>-</u>
 Total Transfers	 <u>\$ 131,000</u>	 <u>\$ 131,000</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 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, 2016 were as follows:

	Advance In	Advance Out
General Fund	\$ 10,000	\$ 42,000
Idea-B	\$ 30,000	
Title I	7,000	5,000
Title II	<u>5,000</u>	<u>5,000</u>
 Total Advances	 <u>\$ 52,000</u>	 <u>\$ 52,000</u>

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2016**

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 2016 the School District paid \$145,368 to LGCA. Financial information can be obtained from the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

OHIO SCHOOLS' COUNCIL

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

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. 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.

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY, OHIO  
Notes To The Financial Statements  
For the Year Ended June 30, 2016**

9. JOINTLY GOVERNED ORGANIZATIONS – (continued)

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.

**AUBURN CAREER CENTER**

The Auburn Career Center is a joint vocational school district that is a jointly governed organization among eleven school districts. Each participating school district appoints one member of the Auburn Career Center's Board of Education. The students of each participating School District may attend classes. Each participant's control over the operation of the center is limited to its representation on the board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. In fiscal year 2016, the School District paid nothing to the Career Center. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

10. INSURANCE PURCHASING POOL

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

**CHARDON LOCAL SCHOOL DISTRICT  
 GEauga COUNTY, OHIO  
 Notes To The Financial Statements  
 For the Year Ended June 30, 2016**

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 2016, 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	\$ 70,238,034
	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	500
	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.

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, 2016.

13. COMPLIANCE

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

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**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED June 30, 2016**

<b>FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<b><i>Passed Through Ohio Department of Education</i></b>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$38,187
National School Lunch Program	10.555	257,917
National School Lunch Program - Non-Cash Assistance	10.555	<u>42,236</u>
Total U.S. Department of Agriculture/Child Nutrition Cluster		<u><b>338,340</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<b><i>Passed Through Ohio Department of Education</i></b>		
<u>Special Education Cluster:</u>		
Special Education: Grants to States	84.027	33,179
		<u>540,375</u>
Total - Special Education: Grants to States		573,554
Title I Grants to Local Educational Agencies	84.010	9,341
		217,507
		<u>14,485</u>
Total - Title I Grants to Local Educational Agencies		241,333
Improving Teacher Quality State Grants	84.367	12,407
		<u>73,942</u>
Total - Improving Teacher Quality State Grants		86,349
English Language Acquisition State Grants	84.365	<u>6,255</u>
Total U.S. Department of Education		<u><b>907,491</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><u><b>\$1,245,831</b></u></u>

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

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Federal Awards Expenditures Schedule (the Schedule) includes the federal award activity of the Chardon Local School District, Geauga County, Ohio, (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the cash receipts, cash disbursements or changes in fund balance by fund type of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**NOTE E - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from the 2014 and 2015 program to the 2016 program:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Special Education - Grants to States - FY 14	84.027	\$26,057
Special Education - Grants to States - FY 15	84.027	27,388
Total		<u><u>\$53,445</u></u>



# 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 cash balances, receipts, and disbursements by fund type of the Chardon Local School District, Geauga County, Ohio, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated January 4, 2017, wherein we issued an adverse opinion on the financial statements because the statements are not prepared in accordance with generally accepted accounting principles and were prepared in accordance with Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D).

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

***District's Response to Finding***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 4, 2017



# 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 THE UNIFORM GUIDANCE

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) *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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to opine on the District's compliance for each of the District's major federal 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of 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, Geauga County, Ohio, 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, 2016.

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

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 4, 2017

**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Adverse
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR §200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<ul style="list-style-type: none"> <li>➤ Title I Grants to Local Educational Agencies, CFDA 84.010;</li> <li>➤ Child Nutrition Cluster, CFDA 10.553 and 10.555.</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

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

**FINDING NUMBER 2016-001**

**Noncompliance Finding - Annual Financial Report - Non GAAP Filing**

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

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

The District should prepare its annual report in accordance with generally accepted accounting principles pursuant to the aforementioned requirements.

**Officials' Response:** See corrective action plan for response

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	<b>Noncompliance Finding:</b> GAAP basis financial statements were not prepared as required by Ohio Admin. Code § 117-2-03(B) and Ohio Rev. Code § 117.38.	Not Corrected	It is the Board's view that the costs associated with preparing GAAP statements outweigh the benefits. The District made a conscious decision to continue preparing cash statements.

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**CHARDON LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	The District will prepare OCBOA statements for FY 2017. At this time, there is no plan to transition to GAAP statements. It is the view of the Board that the cost of preparing GAAP statements outweighs the benefits.	FY 2017	Ashley Brudno, Treasurer

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# Dave Yost • Auditor of State

**CHARDON LOCAL SCHOOL DISTRICT**

**GEAUGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 7, 2017**