

CHARDON LOCAL SCHOOL DISTRICT

GEAUGA COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2012

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



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Chardon Local School District, Geauga County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 3, 2013

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CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Audit Report
For the year ended June 30, 2012

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of Chardon Local School District, Geauga County, Ohio (the District), as of and for the year ended June 30, 2012. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion these financial statements based on our audit.

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

Ohio Administrative Code Section 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. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Chardon Local School District as of and for the year ended June 30, 2012, in accordance with accounting principles generally accepted in the United States of America.

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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012, on our consideration of Chardon Local School District, Geauga County'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. The schedule of federal awards expenditures provides additional information 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. The schedule of federal awards expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2012, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

October 15, 2012

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Balances - All Governmental Fund Types
For the year ended June 30, 2012*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Taxes	\$ 17,941,314	-	\$ 1,136,178	\$ 19,077,492
Tuition and fees	579,809	-	-	579,809
Earnings on Investments	2,701	\$ 142	-	2,843
Extracurricular Activities	288,132	150,876	-	439,008
Classroom Materials & Fees	195,432	-	-	195,432
Miscellaneous	244,918	204,288	-	449,206
Intergovernmental	9,395,151	2,138,741	157,841	11,691,733
Total Cash Receipts	28,647,457	2,494,047	1,294,019	32,435,523
Cash Disbursements				
Instruction				
Regular	13,291,488	96,724	93,981	13,482,193
Special	4,148,359	898,924	-	5,047,283
Vocational	116,655	-	-	116,655
Other	1,058,027	-	-	1,058,027
Support Services				
Pupil	1,299,760	75,730	-	1,375,490
Instructional Staff	770,521	31,098	-	801,619
Board of Education	62,596	-	-	62,596
Administration	2,201,127	-	87,552	2,288,679
Fiscal Services	865,223	-	21,382	886,605
Business	375,577	-	-	375,577
Operation and Maintenance	1,930,717	-	674,070	2,604,787
Pupil Transportation	2,304,840	-	231,266	2,536,106
Central Services	213,215	-	5,610	218,825
Non-Instructional Services				
Community Service	79,125	1,080,624	-	1,159,749
Extracurricular Activities				
Academic & Subject Oriented	45,769	53,094	-	98,863
Sports Oriented	308,685	148,900	-	457,585
Co-Curricular Activities	39,992	4,422	-	44,414
Total Cash Disbursements	29,111,676	2,389,516	1,113,861	32,615,053
Total Receipts Over/(Under) Disbursements	(464,219)	104,531	180,158	(179,530)
Other Financing Receipts (Disbursements):				
Advances-In	90,077	41,798	-	131,875
Refund of Prior Year Expenditures	5,202	-	-	5,202
Transfers-Out	(394,523)	-	-	(394,523)
Advances-Out	(41,798)	(90,077)	-	(131,875)
Total Other Financing Receipts (Disbursements)	(341,042)	(48,279)	-	(389,321)
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(805,261)	56,252	180,158	(568,851)
Fund cash balances, July 1, 2011	1,462,065	364,417	1,107,141	2,933,623
Restricted	-	420,669	1,287,299	1,707,968
Committed	63,960	-	-	63,960
Assigned	506,040	-	-	506,040
Unassigned	86,804	-	-	86,804
Fund cash balances, June 30, 2012	\$ 656,804	\$ 420,669	\$ 1,287,299	\$ 2,364,772

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

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

*Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Balances - Proprietary and Similar Fiduciary Fund Types
For the year ended June 30, 2012*

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Private Purpose Trust	Agency	
Operating Cash Receipts:					
Charges for Services	\$ 514,919	\$ 5,050,017	-	-	\$ 5,564,936
Extracurricular Activities	-	-	-	\$ 107,407	107,407
Earnings on Investments	-	-	\$ 70	-	70
Miscellaneous	8,908	-	-	73,035	81,943
Total Operating Cash Receipts	523,827	5,050,017	70	180,442	5,754,356
Operating Cash Disbursements					
Personal Services	352,103	-	-	-	352,103
Fringe Benefits	217,439	-	-	-	217,439
Purchased Services	549,893	4,608,909	-	-	5,158,802
Supplies and Materials	44,048	-	-	-	44,048
Other	-	-	-	119,946	119,946
Total Operating Cash Disbursements	1,163,483	4,608,909	-	119,946	5,892,338
 Operating Income/(Loss)	 (639,656)	 441,108	 70	 60,496	 (137,982)
Non-Operating Cash Receipts:					
Restricted Grants-in-Aid - State	4,710	-	-	-	4,710
Unrestricted Grants-in-Aid - Federal	240,435	-	-	-	240,435
Total Non-Operating Cash Receipts	245,145	-	-	-	245,145
 Excess of receipts Over/(under) disbursements before interfund transfers	 (394,511)	 441,108	 70	 60,496	 107,163
 Transfers-In	 394,523	 -	 -	 -	 394,523
 Net Receipts over Disbursements	 12	 441,108	 70	 60,496	 501,686
 Fund Cash Balances, July 1, 2011	 -	 927,379	 158,494	 73,831	 1,159,704
 Fund Cash Balances, June 30, 2012	 \$ 12	 \$ 1,368,487	 \$ 158,564	 \$ 134,327	 \$ 1,661,390

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, 2012**

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.

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, 2012

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.

Auxiliary Fund – This fund accounts for the activity of the parochial 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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

Proprietary Funds

4. Enterprise Funds

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

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

5. Internal Service Fund

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

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

Fiduciary Funds

6. Private Purpose Trust Funds

These funds are used to account for contributions which are limited to benefitting individuals, other organizations or other governments. The District has the following significant Private Purpose Trust fund:

Estate of Edward Soubusta-This fund was donated years ago to give scholarships to students.

7. Agency Funds

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

Student Activities 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.

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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.

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.

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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. **Nonspendable**

The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *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.

3. **Committed**

The Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a District official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

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

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

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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.

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, 2012.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, Food Service, Auxiliary Services, and various trust funds, as authorized by board resolution. Interest income earned in fiscal year 2012 totaled \$2,913.

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:

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2012**

2. CASH AND INVESTMENTS – (continued)

	2011
Demand Deposit	\$ 8,656
STAR-Ohio	4,015,706
Petty Cash	1,800
Total Deposit and Investments	\$ 4,026,162

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2012 is as follows:

	Budgeted Receipts vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 28,742,353	\$ 28,742,736	\$ 383
Special Revenue	2,535,924	2,535,845	(79)
Capital Projects	1,294,019	1,294,019	-
Enterprise	1,163,483	1,163,495	12
Internal Service	5,250,017	5,250,017	-
Private Purpose Trust	61	71	10

	Appropriation vs. Actual Budgetary Basis Disbursements		
	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 30,054,916	\$ 29,908,181	\$ 146,735
Special Revenue	2,900,341	2,633,507	266,834
Capital Projects	1,494,455	1,405,102	89,353
Enterprise	1,163,483	1,163,483	-
Internal Service	4,660,851	4,608,909	51,942
Private Purpose Trust	31,477	-	31,477

4. PROPERTY TAXES

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

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2012**

4. PROPERTY TAXES – (continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2012 represent the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied April 1, 2011 on the values listed as of December 31, 2010. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 562,510,520	86.58%	\$ 530,515,030	86.09%
Public Utility Personal	87,214,070	13.42%	85,720,570	13.91%
Total Valuation	\$ 649,724,590	100.00%	\$ 616,235,600	100.00%

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".

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2012

5. DEFINED BENEFIT PENSION PLANS – (continued)

A. School Employees Retirement System – (continued)

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 2012, 12.65 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, 2012, 2011, and 2010 were \$591,871, \$487,677, and \$593,327, 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, 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.

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2012

5. **DEFINED BENEFIT PENSION PLANS** – (continued)

B. **State Teachers Retirement System of Ohio** – (continued)

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 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 10 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, 2012, 2011 and 2010 were \$1,738,492, \$1,777,098 and \$1,904,630, respectively; 100 percent for all fiscal years. Contributions to the DC and Combined Plans for fiscal year 2012 were \$88,722 made by the District and \$63,373 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, 2012, 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. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. 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. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and SERS' reimbursement to retirees was \$45.50. 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*".

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2012**

6. POSTEMPLOYMENT BENEFITS – (continued)

A. School Employees Retirement System – (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 2012, 0.55 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 2012, the actuarially determined amount was \$62,423.

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, 2012, 2011 and 2010 were \$85,675, \$156,006 and \$137,651, respectively; 100 percent has been 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 2012, this actuarially required allocation was .075 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$31,707, \$36,152 and \$32,209 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, under "*Publications*" or by calling (888) 227-7877.

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2012**

6. POSTEMPLOYMENT BENEFITS – (continued)

B. State Teachers Retirement System of Ohio – (continued)

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 2012, 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, 2012, 2011 and 2010 were \$124,178, \$63,543 and \$63,366, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

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, 2012, the reserve activity was as follows:

	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2011	\$ -
Current year set-aside requirement	543,077
Qualifying disbursements	<u>(1,416,121)</u>
Total	<u>\$ (873,044)</u>
Balance carried forward fiscal year 2013	<u>\$ -</u>

**CHARDON LOCAL SCHOOL DISTRICT
 GEauga COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2012**

8. FUND TRANSFERS AND ADVANCES

Transfers made during the year ended June 30, 2012 were as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 394,523
Food Service	394,523	-
	\$ 394,523	\$ 394,523

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

Advances made during the year ended June 30, 2012 were as follows:

	Advance In	Advance Out
General Fund	\$ 90,077	\$ 41,798
IDEA-B FY11	-	73,800
ARRA FY11-IDEA-B	-	16,277
Title I FY 12	25,190	-
Title II-A FY 12	16,608	-
	\$ 131,875	\$ 131,875

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 2012 the School District paid \$108,609 to LGCA. Financial information can be obtained from Loretta Peterson, the Treasurer of the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2012**

9. JOINTLY GOVERNED ORGANIZATIONS - (continued)

OHIO SCHOOLS' COUNCIL

The Ohio Schools Council Association (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

AUBURN CAREER CENTER

The Auburn Career Center is a joint vocational school district that is a jointly governed organization among eleven school districts. Each participating school district appoints one member of the Auburn Career Center's Board of Education. The students of each participating School District may attend classes. Each participant's control over the operation of the center is limited to its representation on the board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. In fiscal year 2012, the School District paid \$0 to the Career Center. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY, OHIO
 Notes To The Financial Statements
 For the Year Ended June 30, 2012**

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 OASBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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 2012, 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, \$1,000 deductible	\$ 66,205,493
	General Liability, in aggregate	2,000,000
	General Liability, per occurrence	1,000,000
	Medical Expense, any one person	5,000
	Automobile Liability, single limit	1,000,000
	Comprehensive deductible	500
	Collision deductible	1,000
	Uninsured Motorists	500,000
Fidelity and Deposit	Blanket Bond Crime	100,000
Hylant Group	Treasurer's Bond	150,000
	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.

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY, OHIO
Notes To The Financial Statements
For the Year Ended June 30, 2012**

12. CONTINGENT LIABILITIES – (continued)

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, 2012.

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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.

CHARDON LOCAL SCHOOL DISTRICT
 Geauga County
 Schedule of Federal Awards Expenditures
 For the Year Ending June 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Nutrition Cluster:			
Pass through Ohio Department of Education:			
Cash Assistance:			
National School Lunch Program	10.555	\$ 215,328	\$ 215,328
National School Breakfast Program	10.553	25,107	25,107
Direct Program:			
Non-Cash Assistance:			
National School Lunch Program (commodities)	10.555	<u>43,096</u>	<u>43,096</u>
Total U.S. Department of Agriculture		283,531	283,531
<u>U.S. Department of Education</u>			
Pass through Ohio Department of Education			
ESEA Title I, Part A, Title I Grants to Local Education Agencies			
Title I	84.010	170,218	203,501
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children			
Special Education Cluster:			
ARRA - Title VI - B	84.391	31,524	54,351
Title VI - B	84.027	<u>798,570</u>	<u>685,207</u>
Total Special Education Cluster		830,094	739,558
Education Jobs Fund	84.410	48,474	65,430
Title II-D	84.318	1,701	1,701
Title II-A - Improv. Teacher Quality	84.367	<u>75,726</u>	<u>96,724</u>
Total U.S. Department of Education		<u>1,126,213</u>	<u>1,106,914</u>
Total Federal Awards		<u>\$ 1,409,743</u>	<u>\$ 1,390,445</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

CHARDON LOCAL SCHOOL DISTRICT
Geauga County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2012

1. Significant Accounting Policies

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

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2012, the District had immaterial food commodities in inventory.

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

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

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

To the Board of Education:

We have audited the financial statements of the Chardon Local School District, Geauga County, Ohio (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 15, 2012, wherein we noted the District followed accounting principles other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2012-CLSD-01.

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

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

Charles E. Harris and Associates

Charles E. Harris and Associates, Inc.

October 15, 2012

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

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

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

To the Board of Education:

Compliance

We have audited the compliance of Chardon Local School District, Geauga County, Ohio, (the District) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

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 its major federal program for the year ended June 30, 2012.

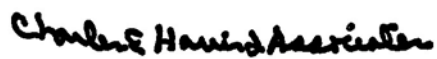
Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

This report is intended solely for the information and use of management, the audit committee, the Board of Education, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CHARLES E. HARRIS & ASSOCIATES, INC.
October 15, 2012

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

**CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY
June 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

CHARDON LOCAL SCHOOL DISTRICT
GEAUGA COUNTY
June 30, 2012

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

FINDING NUMBER 2012-CLSD-01 – Noncompliance citation

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

Management's Response: The District omits generally accepted accounting principles reporting due to the cost of compliance. Management believes its limited resources should be directed to educating students rather than satisfying technical accounting standards.

3. FINDINGS FEDERAL AWARDS

None.

**CHARDON LOCAL SCHOOL DISTRICT
 GEAUGA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain
2011-CLSD-01	OAC 117-2-03(B) failure to prepare financial report in accordance with GAAP	No	Repeated as 2012-CLSD-01

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

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 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 these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on January 9, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 management and is not intended to be and should not be used by anyone other than these specified parties.



Charles E. Harris & Associates, Inc.
October 15, 2012



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
JANUARY 15, 2013