

# **Fairport Harbor Exempted Village School District**

**Financial Statements  
June 30, 2006 and 2005**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Fairport Harbor Exempted Village School District  
329 Vine Street  
Fairport Harbor, Ohio 44077-5741

We have reviewed the *Independent Auditors' Report* of the Fairport Harbor Exempted Village School District, Lake County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2004 through June 30, 2006. 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 Fairport Harbor Exempted Village School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 9, 2008

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# Fairport Harbor Exempted Village School District

For The Year Ended June 30, 2006 and 2005

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## Independent Auditors' Report

Board of Education  
Fairport Harbor Exempted Village School District  
Fairport Harbor, Ohio

We have audited the accompanying financial statements of the Fairport Harbor Exempted Village School District, ("the District") as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 2, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Fairport Harbor Exempted Village School District, Lake County, Ohio, as of and for the years ended June 30, 2006 and 2005, in accordance with accounting principles generally accepted in the United States of America.

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

Board of Education  
Fairport Harbor Exempted Village School District  
Fairport Harbor, Ohio

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Cini & Paricki, Inc.*

Cleveland, Ohio  
February 19, 2008

# Fairport Harbor Exempted Village School District

## Combined Statement of Cash and Cash Equivalents and Fund Cash Balances – All Fund Types

**For The Year Ended June 30, 2006**

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Cash and Cash Equivalents	\$	<u>414,066</u>
Cash Balances by Fund Type:		
Governmental Fund Types:		
General Fund	\$	172,572
Special Revenue Funds		56,514
Capital Projects Funds		147,052
Proprietary Fund Types:		
Internal Service Funds		234
Fiduciary Fund Type:		
Agency Funds		15,992
Expendable Trust Funds		11,702
Non-Expendable Trust Funds		<u>10,000</u>
Total	\$	<u>414,066</u>

The accompanying notes are an integral part of these financial statements



# Fairport Harbor Exempted Village School District

## Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types

For The Year Ended June 30, 2006

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
<b>Cash Receipts:</b>					
Taxes	\$ 2,521,775	\$ -	\$ 79,851	\$ -	\$ 2,601,626
Tuition	841,462	-	-	-	841,462
Earnings on Investments	27,826	-	-	412	28,238
Extracurricular Activities	-	30,389	-	-	30,389
Classroom Materials & Fees	11,421	-	-	-	11,421
Miscellaneous	56,774	22,935	13,904	2,735	96,348
Unrestricted Grants-in-Aid-State	1,569,810	-	9,259	-	1,579,069
Restricted Grants-in-Aid-State	15,783	33,519	-	-	49,302
Restricted Grants-in-Aid-Federal	-	189,839	8,195	-	198,034
Total Cash Receipts	<u>5,044,851</u>	<u>276,682</u>	<u>111,209</u>	<u>3,147</u>	<u>5,435,889</u>
<b>Cash Disbursements:</b>					
<b>Instruction:</b>					
Regular	2,134,102	132,031	-	-	2,266,133
Special	721,704	48,183	-	-	769,887
Vocational	26,106	-	-	-	26,106
Other	174,140	-	-	-	174,140
<b>Support Services:</b>					
Pupil	173,163	17,598	-	-	190,761
Instructional Staff	80,209	2,108	-	-	82,317
Board of Education	12,708	-	-	-	12,708
Administration	482,137	10,460	-	-	492,597
Fiscal Services	201,458	-	803	-	202,261
Business	15,581	-	-	-	15,581
Operation and Maintenance	520,939	-	32,651	-	553,590
Pupil Transportation	47,365	-	-	-	47,365
Central Services	5,656	5,000	-	-	10,656
<b>Non-Instructional Services:</b>					
Food Service	8,733	-	-	-	8,733
Community Service	-	-	-	3,000	3,000
<b>Extracurricular Activities:</b>					
Academic and Subject Oriented	10,784	6,574	-	-	17,358
Sports Oriented	156,968	31,324	-	-	188,292
Co-Curricular Activities	23,316	-	-	-	23,316
<b>Facilities Acquisition and Construction Services:</b>					
Building Improvement	-	2,391	32,609	-	35,000
<b>Debt Service:</b>					
Principal	-	-	280,000	-	280,000
Interest	-	-	7,679	-	7,679
Total Cash Disbursements	<u>4,795,069</u>	<u>255,669</u>	<u>353,742</u>	<u>3,000</u>	<u>5,407,480</u>
Total receipts over (under)disbursements	<u>249,782</u>	<u>21,013</u>	<u>(242,533)</u>	<u>147</u>	<u>28,409</u>

The accompanying notes are an integral part of these financial statements

# Fairport Harbor Exempted Village School District

## Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types (continued)

**For The Year Ended June 30, 2006**

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	<u>Totals</u> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fund Type Expendable Trust</u>	
Other Financing Receipts (Disbursements):					
Transfers-In	-	-	57,700	-	57,700
Advances-In	8,195	102	-	-	8,297
Proceeds of Notes	-	-	230,000	-	230,000
Refund of Prior Year Expenditures	5,137	-	-	-	5,137
Transfers-Out	(57,700)	-	-	-	(57,700)
Advances-Out	(102)	-	(8,195)	-	(8,297)
Refund of Prior Year Receipts	<u>(55,584)</u>	<u>(1,126)</u>	<u>-</u>	<u>-</u>	<u>(56,710)</u>
Total Other Financing Receipts (Disbursements)	<u>(100,054)</u>	<u>(1,024)</u>	<u>279,505</u>	<u>-</u>	<u>178,427</u>
Excess of cash receipts and other financing Receipts over (under) cash disbursements and other financing disbursements	149,728	19,989	36,972	147	206,836
Fund cash balances, July 1, 2005	<u>22,844</u>	<u>36,525</u>	<u>110,080</u>	<u>11,555</u>	<u>181,004</u>
Fund cash balances, June 30, 2006	\$ <u>172,572</u>	\$ <u>56,514</u>	\$ <u>147,052</u>	\$ <u>11,702</u>	\$ <u>387,840</u>
Reserves for encumbrances, June 30, 2006	\$ <u>41,636</u>	\$ <u>2,590</u>	\$ <u>580</u>	\$ <u>-</u>	\$ <u>44,806</u>

The accompanying notes are an integral part of these financial statements

# Fairport Harbor Exempted Village School District

## Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – Proprietary and Similar Fiduciary Fund Types

**For The Year Ended June 30, 2006**

	Proprietary	Fiduciary Fund Types		Totals
	Fund Type	Non-Expendable	Agency	(Memorandum
	Internal	Trust		Only)
	Service			
Operating Cash Receipts:				
Extracurricular Activities	\$ -	\$ -	\$ 19,225	\$ 19,225
Classroom Materials and Fees	<u>174</u>	<u>-</u>	<u>-</u>	<u>174</u>
Total Operating Cash Receipts	<u>174</u>	<u>-</u>	<u>19,225</u>	<u>19,399</u>
Operating Cash Disbursements:				
Supplies and Materials	-	-	1,429	1,429
Other	<u>-</u>	<u>-</u>	<u>19,771</u>	<u>19,771</u>
Total Operating Cash Disbursements	<u>-</u>	<u>-</u>	<u>21,200</u>	<u>21,200</u>
Net receipts over (under) disbursements	174	-	(1,975)	(1,801)
Fund cash balances, July 1, 2005	<u>60</u>	<u>10,000</u>	<u>17,967</u>	<u>28,027</u>
Fund cash balances, June 30, 2006	\$ <u><u>234</u></u>	\$ <u><u>10,000</u></u>	\$ <u><u>15,992</u></u>	\$ <u><u>26,226</u></u>
Reserve for encumbrances, June 30, 2006	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>338</u></u>	\$ <u><u>338</u></u>

The accompanying notes are an integral part of these financial statements

# Fairport Harbor Exempted Village School District

## Combined Statement of Receipts – Budget and Actual

**For The Year Ended June 30, 2006**

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<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	\$ 5,054,469	\$ 5,058,183	\$ 3,714
Special Revenue Fund	276,675	276,784	109
Capital Projects Fund	398,909	398,909	-
Proprietary Fund Type:			
Internal Service Fund	234	174	(60)
Fiduciary Fund Types:			
Expendable Trust Fund	3,147	3,147	-
Agency Fund	<u>18,863</u>	<u>19,225</u>	<u>362</u>
Total (Memorandum Only)	\$ <u>5,752,297</u>	\$ <u>5,756,422</u>	\$ <u>4,125</u>

The accompanying notes are an integral part of these financial statements

# Fairport Harbor Exempted Village School District

## Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority

**For The Year Ended June 30, 2006**

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	Prior Year Carryover <u>Encumbrances</u>	2006 <u>Appropriations</u>	<u>Total</u>
Governmental Fund Types:			
General Fund	\$ 19,256	\$ 5,038,550	\$ 5,057,806
Special Revenue Fund	1,454	303,472	304,926
Capital Projects Fund	7,450	501,540	508,990
Proprietary Fund Type:			
Internal Service Fund	-	234	234
Fiduciary Fund Types:			
Expendable Trust Fund	-	14,701	14,701
Agency Fund	<u>150</u>	<u>36,680</u>	<u>36,830</u>
Total (Memorandum Only)	\$ <u>28,310</u>	\$ <u>5,895,177</u>	\$ <u>5,923,487</u>

The accompanying notes are an integral part of these financial statements

# Fairport Harbor Exempted Village School District

## Combined Statement of Disbursements and Encumbrances Compared With Expenditure Authority (continued)

**For The Year Ended June 30, 2006**

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<u>Actual 2006 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/06</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 4,908,455	\$ 41,636	\$ 4,950,091	\$ 107,715
256,795	2,590	259,385	45,541
361,937	580	362,517	146,473
-	-	-	234
3,000	-	3,000	11,701
<u>21,200</u>	<u>338</u>	<u>21,538</u>	<u>15,292</u>
\$ <u>5,551,387</u>	\$ <u>45,144</u>	\$ <u>5,596,531</u>	\$ <u>326,956</u>

The accompanying notes are an integral part of these financial statements

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements

### For The Year Ended June 30, 2006

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#### 1. Description of the School District

The Fairport Harbor Exempted Village School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District is located in Fairport Harbor, Ohio, Lake County. The School District operates under a locally elected five member Board and provides educational services as mandated by State or federal agencies. The Board controls the School District's two instructional facilities, staffed by 11 classified personnel, 36 certificated teaching personnel and 3 administrative employees to provide services to 596 students and other community members. The School District operates one elementary school (K-6), and one high school (7-12).

#### *Reporting Entity*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Fairport Harbor Exempted Village School District, this includes general operations and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing body and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with five (5) jointly governed organizations, a related organization, a public entity risk pool, and a shared risk pool. These organizations are the East Shore Center, East Shore Regional Transportation System, the Auburn Career Center, the Lake Geauga Computer Association, the Ohio School Council, the Fairport Harbor Public Library, the Ohio Schools Council Workers' Compensation Group Rating Program, and the Lake County Council of Governments Health Care Benefits Program. These organizations are presented in Notes 8 through 11 to the financial statements.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### 2. Summary of Significant Accounting Policies

Although required by Ohio Administrative Code § 117-2-3(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

By virtue of Ohio law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

#### A. Basis of Presentations – Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District that are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

#### **Governmental Fund Types**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following are the School District's governmental fund types:



# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### 2. Summary of Significant Accounting Policies (continued)

##### A. Basis of Presentations – Fund Accounting (continued)

**General Fund:** The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds:** Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or for major capital projects) that are legally restricted to expenditures for specified purposes.

**Debt Service Fund:** The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Project Funds:** Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

#### Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

**Enterprise Funds** – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District has no enterprise funds as of June 30, 2006.

**Internal Service Funds** – Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### 2. Summary of Significant Accounting Policies (continued)

##### A. Basis of Presentations – Fund Accounting (continued)

###### Fiduciary Fund Types

Fiduciary Funds are used to account for assets held by the School District in a trust or as an agent for individuals, private organizations, other governments, and/or other funds. Trust Funds are accounted for in essentially the same manner as governmental funds. The School District's fiduciary funds are purely custodial (assets equal liabilities) and thus does not involve measurement of results of operations.

##### B. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function for the general fund and the fund level for all other funds. Any budgetary modification at this level may only be made by resolution of the Board of Education.

**Tax Budget:** Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Lake County Budget Commission for rate determination.

**Estimated Resources:** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### 2. Summary of Significant Accounting Policies (continued)

##### B. Budgetary Data (continued)

**Appropriations:** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures for the general fund and the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions for the general fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**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 fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over and need not be reappropriated.

**Lapsing of Appropriations:** At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

##### C. Property, Plant, and Equipment

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

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### **2. Summary of Significant Accounting Policies (continued)**

##### **D. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

##### **E. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2006, the School District's investments were limited to STAROhio, the State Treasurer's Investment Pool. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$27,826 and \$412 to expendable trust fund.

##### **F. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

#### **3. Cash and Investments**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### 3. Cash and Investments (continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of Districts deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by a surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### 3. Cash and Investments (continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$414,066 and the bank balance was \$95,028 all of which was covered by federal depository insurance. Although all State statutory requirements for the deposits of money had been followed, noncompliance with federal requirements could subject the District to a successful claim by the FDIC.

Investments: The financial institution maintains records identifying the District as owner of these securities. STAR Ohio is an unclassified investment since it is not evidenced by securities which exist in physical or book entry form.

The carrying amount of cash and investments at June 30 was as follows:

Demand deposits	\$	(12,504)
STAR Ohio		<u>426,570</u>
<i>Total cash, deposits, and investments</i>	\$	<u><u>414,066</u></u>

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### 4. Property Taxes

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2005.

Real property taxes become a lien on all nonexempt real property located in the District on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate applied to real property, for the fiscal year ended June 30, 2006, was \$83.97 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$40.24 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$54.58 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended June 30, 2006, was \$83.97 per \$1,000 of assessed valuation.

#### Real Property Valuation:

Residential/Agricultural	\$ 46,503,101
Commercial/Industrial	11,893,430
Public Utility Tangible	3,037,200
General Tangible	2,697,754
Tax Exempt	2,683,050

The Lake County Treasurer collects property tax on behalf of all taxing districts within the District. The Lake County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### **5. Risk Management**

##### **A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, Indiana Insurance Company provides professional liability coverage to the School District. This coverage has a \$1,000,000 single occurrence and \$3,000,000 annual aggregate with a minimal deductible.

The vehicular fleet is provided by Indiana Insurance Company with \$100 deductible for comprehensive and \$250 deductible for collision. Fleet liability has a combined single limit of \$1,000,000.

The Boiler and Machinery insurance is provided by Indiana Insurance Company. Boiler and Machinery limits are \$16,547,372 with \$1,000 deductible. Crime insurance is purchased through Love Insurance and is provided by Indiana Insurance Company. The Property and Casualty insurance is purchased through Love Insurance and is provided by Indiana Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

##### **B. Medical Benefits**

The School District has contracted with the Lake County Schools Council of Governments (LCSC) to provide employee health and medical benefits since 1995. The LCSC is a shared risk pool comprised of eleven Lake County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The LCSC Board of Directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims.

The LCSC has stop loss coverage of 110% of expected claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Should contributions prove to be insufficient to pay program costs of the insurance program for any fiscal year, each participating member may be notified of the deficiency and can be billed for its share of the additional cost.

The June 30, 2006 claims liability and cash with fiscal agent are determined based on the percentage of the School District's participants to total pool participants. For the year ended June 20, 2006 the pools cash reserves and claims liability were \$5,618,765 and \$2,233,930 respectively. The Schools Districts allocated pool percentage for the year ended June 30, 2006 was 2.09 percent, which represents \$117,376 and \$46,622 of pool cash reserves and claims liabilities.



# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### 5. Risk Management (continued)

#### C. Workers' Compensation

For Fiscal Year 2006, the School District participated in the Ohio Schools Council Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The school districts apply for participation each year. Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

#### 6. Retirement Systems

Certified teachers employed by the District participate in the State Teachers Retirement System of Ohio (STRS). The District's officials and all other employees belong to the School Employees Retirement System of Ohio (SERS). STRS and SERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. STRS members contributed 10.5 percent of their wages and the District contributed an amount equal to 14 percent of participants' gross salaries. SERS members contributed 10 percent of their wages and the District contributed an amount equal to 14 percent for of participants' gross salaries. The District has paid all contributions required through June 30, 2006.

#### 7. Notes Payable

The School District's note activity, including amounts outstanding and interest rates, is as follows:

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
<u>Capital Projects Fund</u>				
HB 264 Project – 4.50 %	\$ 280,000	\$ 230,000	\$ 280,000	\$ 230,000

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### **8. Jointly Governed Organizations**

##### **A. East Shore Center**

The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. East Shore Center is not accumulating significant resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Lake County Educational Service Center, 30 South Park Place, Suite 320, Painesville, Ohio 44077.

##### **B. East Shore Regional Transportation System**

The East Shore Regional Transportation System (ESRTS) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen member school district. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. ESRTS is not accumulating significant financial resources or experiencing fiscal distress which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, Ohio 44094.

##### **C. 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 to the Auburn Career Center's Board of Education. The students of each participating School District may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to representation on the board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

##### **D. Lake/Geauga Computer Association**

The Lake/Geauga Computer Association (LGCA) is a jointly governed organization that 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 School Districts support 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. LCGA's continued existence is not dependent on the School District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8221 Auburn Road, Painesville, Ohio 44077.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### **8. Jointly Governed Organizations (continued)**

##### **E. Ohio Schools Council**

The Ohio Schools' Council (the "Council") is a jointly governed organization among its eighty-three member School Districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member School Districts. Each School District supports the Council by paying a one-time fee of \$500 and an annual participation fee. The Council's Board consists of seven (7) superintendents of the participating School Districts whose term rotates every year. During Fiscal Year 2004, the School District paid \$750 to the Council. The degree of control exercised by any School District is limited to its representation on the Board. Financial information can be obtained by contacting the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio, 44131.

The School District participates in the Council's electric purchase program, which was implemented during fiscal year 1998. This program allows School District to purchase electricity at reduced rates, if the School District will commit to participating for an eight-year period. The participants make monthly payments based on estimated usage. Each June, the Council compares the estimated usage to the actual usage and any necessary adjustments are made.

Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to pre-purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating School Districts are not obligated in any manner for this debt. If a participating School District terminates its agreement of participation, that School District is required to repay savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

The School District also participates in the Council's prepaid natural gas program, which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts committed to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The District of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contribution to the operating fund, which are not encumbered for its share of program administrative costs.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### **9. Related Organization**

The Fairport Harbor Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Fairport Harbor Exempted School District's Board of Education. The Board of Trustees possess its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Fairport Harbor Public Library, Linda Hofer, Clerk/Treasurer, at 335 Vine Street, Fairport Harbor, Ohio, 44077.

#### **10. Public Entity Risk Pool**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. All participating members retain their risk and are completely responsible for paying their own claims. The HCBP acts solely as the claims servicing agent.

#### **11. Health Care Benefits Risk Pool**

Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance – The School District participates in Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program, a shared risk pool, comprised of eleven members. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The Plan's business and affairs are conducted by a five member Board of Directors elected from the HCBP's assembly. The assembly elects officers for one year terms to serve on the Board of Directors.

#### **12. Contingencies**

##### **A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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 School District at June 30, 2006.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### 12. Contingencies (continued)

##### B. Litigation

As of June 30, 2006, the School District was not party to any legal proceedings.

#### 13. Set-Aside Requirements

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2006, only the unspent portion of workers' compensation refunds continues to be set aside.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisitions and budget stabilization. Disclosure of this information is required by the State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2005	\$ 2,115	\$ -	\$ 28,321
Current year set-aside requirement	86,878	86,878	-
Qualifying Disbursements	<u>(33,507)</u>	<u>(20,652)</u>	<u>-</u>
Totals	<u>\$ 55,486</u>	<u>\$ 66,226</u>	<u>\$ 28,321</u>
Set-aside Balance Carried Forward to Future Fiscal Years	\$ <u>55,486</u>	\$ <u>-</u>	\$ <u>28,321</u>
Set-aside Reserve Balance as of June 30, 2006	\$ <u>-</u>	\$ <u>-</u>	\$ <u>28,321</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$28,321. The general fund balance includes \$28,321 that has been designated for the amount of set-asides in excess of requirements.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2006

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#### **14. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

# Fairport Harbor Exempted Village School District

## Combined Statement of Cash and Cash Equivalents and Fund Cash Balances – All Fund Types

**For The Year Ended June 30, 2005**

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Cash and Cash Equivalents	\$	<u>209,031</u>
Cash Balances by Fund Type:		
Governmental Fund Types:		
General Fund	\$	22,844
Special Revenue Funds		36,525
Capital Projects Funds		110,080
Proprietary Fund Types:		
Internal Service Funds		60
Fiduciary Fund Type:		
Agency Funds		17,967
Expendable Trust Funds		11,555
Non-Expendable Trust Funds		<u>10,000</u>
Total	\$	<u>209,031</u>

The accompanying notes are an integral part of these financial statements

# Fairport Harbor Exempted Village School District

## Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types

For The Year Ended June 30, 2005

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
<b>Cash Receipts:</b>					
Taxes	\$ 2,297,056	\$ -	\$ 78,640	\$ -	\$ 2,375,696
Tuition	856,505	-	-	-	856,505
Earnings on Investments	9,300	-	-	193	9,493
Extracurricular Activities	-	31,139	-	-	31,139
Classroom Materials & Fees	14,302	-	-	-	14,302
Miscellaneous	37,514	43,443	8,472	2,470	91,899
Unrestricted Grants-in-Aid-State	1,519,002	-	9,795	-	1,528,797
Restricted Grants-in-Aid-State	65,549	25,375	4,830	-	95,754
Restricted Grants-in-Aid-Federal	-	222,355	-	-	222,355
<b>Total Cash Receipts</b>	<b>4,799,228</b>	<b>322,312</b>	<b>101,737</b>	<b>2,663</b>	<b>5,225,940</b>
<b>Cash Disbursements:</b>					
<b>Instruction:</b>					
Regular	2,220,624	120,192	4,830	-	2,345,646
Special	722,998	57,371	-	-	780,369
Vocational	104,148	-	-	-	104,148
Other	117,270	-	-	-	117,270
<b>Support Services:</b>					
Pupil	166,539	85,815	-	-	252,354
Instructional Staff	91,986	7,879	-	-	99,865
Board of Education	26,397	-	-	-	26,397
Administration	464,994	10,755	435	-	476,184
Fiscal Services	183,618	-	908	-	184,526
Business	20,470	-	-	-	20,470
Operation and Maintenance	502,959	-	44,371	-	547,330
Pupil Transportation	44,970	-	-	-	44,970
Central Services	3,417	8,578	-	-	11,995
<b>Non-Instructional Services:</b>					
Food Service	9,790	-	-	-	9,790
Community Service	-	-	-	500	500
<b>Extracurricular Activities:</b>					
Academic and Subject Oriented	13,214	5,417	-	-	18,631
Sports Oriented	157,218	36,288	-	-	193,506
Co-Curricular Activities	16,489	-	-	-	16,489
<b>Debt Service:</b>					
Principal	-	-	280,000	-	280,000
Interest	-	-	6,283	-	6,283
<b>Total Cash Disbursements</b>	<b>4,867,101</b>	<b>332,295</b>	<b>336,827</b>	<b>500</b>	<b>5,536,723</b>
<b>Total receipts over (under)disbursements</b>	<b>(67,873)</b>	<b>(9,983)</b>	<b>(235,090)</b>	<b>2,163</b>	<b>(310,783)</b>

The accompanying notes are an integral part of these financial statements



# Fairport Harbor Exempted Village School District

## Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types (continued)

**For The Year Ended June 30, 2005**

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	<u>Totals</u> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fund Type Expendable Trust</u>	
Other Financing Receipts (Disbursements):					
Transfers-In	-	-	6,283	-	6,283
Advances-In	51,550	-	8,195	-	59,745
Proceeds of Notes	-	-	280,000	-	280,000
Refund of Prior Year Expenditures	10,949	179	-	-	11,128
Transfers-Out	(6,283)	-	-	-	(6,283)
Advances-Out	<u>(8,195)</u>	<u>(6,500)</u>	<u>(45,000)</u>	-	<u>(59,695)</u>
Total Other Financing Receipts (Disbursements)	<u>48,021</u>	<u>(6,321)</u>	<u>249,478</u>	-	<u>291,178</u>
Excess of cash receipts and other financing Receipts over/(under)cash disbursements and other financing disbursements	(19,851)	(16,304)	14,387	2,163	(19,605)
Fund cash balances, July 1, 2004	<u>42,695</u>	<u>52,829</u>	<u>95,693</u>	<u>9,392</u>	<u>200,609</u>
Fund cash balances, June 30, 2005	\$ <u>22,844</u>	\$ <u>36,525</u>	\$ <u>110,080</u>	\$ <u>11,555</u>	\$ <u>181,004</u>
Reserves for encumbrances, June 30, 2005	\$ <u>19,256</u>	\$ <u>1,454</u>	\$ <u>7,450</u>	\$ <u>-</u>	\$ <u>28,160</u>

The accompanying notes are an integral part of these financial statements

# Fairport Harbor Exempted Village School District

## Combined Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances – Proprietary and Similar Fiduciary Fund Types

**For The Year Ended June 30, 2005**

	Proprietary	Fiduciary Fund Types		Totals (Memorandum Only)
	Fund Type	Non-Expendable Trust	Agency	
	Internal Service			
Operating Cash Receipts:				
Extracurricular Activities	\$ -	\$ -	\$ 20,299	\$ 20,299
Classroom Materials & Fees	195	-	-	195
Miscellaneous	-	-	-	-
Total Operating Cash Receipts	<u>195</u>	<u>-</u>	<u>20,299</u>	<u>20,494</u>
Operating Cash Disbursements:				
Purchased Services	135	-	6,813	6,948
Supplies and Materials	-	-	1,018	1,018
Other	-	-	11,393	11,393
Total Operating Cash Disbursements	<u>135</u>	<u>-</u>	<u>19,224</u>	<u>19,359</u>
Operating Profit (Loss)	60	-	1,075	1,135
Non-Operating Cash Receipts:				
Miscellaneous	-	-	1,180	1,180
Excess of receipts over (under) disbursements before interfund transfers and advances	60	-	2,255	2,315
Transfers-In	65	-	-	65
Advances-Out	<u>(65)</u>	<u>-</u>	<u>(50)</u>	<u>(115)</u>
Net Receipts over Disbursements	60	-	2,205	2,265
Fund cash balances, July 1, 2004	<u>-</u>	<u>10,000</u>	<u>15,762</u>	<u>25,762</u>
Fund cash balances, June 30, 2005	\$ <u><u>60</u></u>	\$ <u><u>10,000</u></u>	\$ <u><u>17,967</u></u>	\$ <u><u>28,027</u></u>
Reserve for encumbrances, June 30, 2005	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>150</u></u>	\$ <u><u>150</u></u>

The accompanying notes are an integral part of these financial statements

# Fairport Harbor Exempted Village School District

## Combined Statement of Receipts – Budget and Actual

**For The Year Ended June 30, 2005**

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<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	\$ 4,860,031	\$ 4,861,727	\$ 1,696
Special Revenue Fund	317,391	322,491	5,100
Capital Projects Fund	396,215	396,215	-
Proprietary Fund Type:			
Internal Service Fund	195	195	-
Fiduciary Fund Types:			
Expendable Trust Fund	2,663	2,663	-
Agency Fund	<u>21,479</u>	<u>21,479</u>	<u>-</u>
Total (Memorandum Only)	\$ <u>5,597,974</u>	\$ <u>5,604,770</u>	\$ <u>6,796</u>

The accompanying notes are an integral part of these financial statements

# Fairport Harbor Exempted Village School District

## Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority

**For The Year Ended June 30, 2005**

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	Prior Year Carryover <u>Encumbrances</u>	2005 <u>Appropriations</u>	<u>Total</u>
Governmental Fund Types:			
General Fund	\$ 8,097	\$ 4,894,610	\$ 4,902,707
Special Revenue Fund	9,136	361,085	370,221
Capital Projects Fund	11,097	462,106	473,203
Proprietary Fund Type:			
Internal Service Fund	-	195	195
Fiduciary Fund Types:			
Expendable Trust Fund	-	12,054	12,054
Agency Fund	<u>1,007</u>	<u>36,234</u>	<u>37,241</u>
Total (Memorandum Only)	\$ <u>29,337</u>	\$ <u>5,766,284</u>	\$ <u>5,795,621</u>

The accompanying notes are an integral part of these financial statements

# Fairport Harbor Exempted Village School District

## Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority (continued)

**For The Year Ended June 30, 2005**

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<u>Actual 2005 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/05</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 4,881,579	\$ 19,256	\$ 4,900,835	\$ 1,872
338,795	1,454	340,249	29,972
381,827	7,450	389,277	83,926
135	-	135	60
500	-	500	11,554
<u>19,274</u>	<u>150</u>	<u>19,424</u>	<u>17,817</u>
<u>\$ 5,622,110</u>	<u>\$ 28,310</u>	<u>\$ 5,650,420</u>	<u>\$ 145,201</u>

The accompanying notes are an integral part of these financial statements

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements

### For The Year Ended June 30, 2005

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#### 1. Description of the School District

The Fairport Harbor Exempted Village School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District is located in Fairport Harbor, Ohio, Lake County. The School District operates under a locally elected five member Board and provides educational services as mandated by State or federal agencies. The Board controls the School District's two instructional facilities, staffed by 13 classified personnel, 40 certificated teaching personnel and 3 administrative employees to provide services to 600 students and other community members. The School District operates one elementary school (K-6), and one high school (7-12).

#### *Reporting Entity*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Fairport Harbor Exempted Village School District, this includes general operations and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing body and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with five (5) jointly governed organizations, a related organization, a public entity risk pool, and a shared risk pool. These organizations are the East Shore Center, East Shore Regional Transportation System, the Auburn Career Center, the Lake Geauga Computer Association, the Ohio School Council, the Fairport Harbor Public Library, the Ohio Schools Council Workers' Compensation Group Rating Program, and the Lake County Council of Governments Health Care Benefits Program. These organizations are presented in Notes 8 through 11 to the financial statements.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### 2. Summary of Significant Accounting Policies

Although required by Ohio Administrative Code § 117-2-3(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

By virtue of Ohio law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

#### A. Basis of Presentations – Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District that are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

#### **Governmental Fund Types**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following are the School District's governmental fund types:

**General Fund:** The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### 2. Summary of Significant Accounting Policies (Continued)

##### A. Basis of Presentations – Fund Accounting (continued)

**Special Revenue Funds:** Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or for major capital projects) that are legally restricted to expenditures for specified purposes.

**Debt Service Fund:** The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Project Funds:** Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

#### **Proprietary Fund Types**

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

**Enterprise Funds** – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District has no enterprise funds as of June 30, 2005.

**Internal Service Funds** – Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

#### **Fiduciary Fund Types**

Fiduciary Funds are used to account for assets held by the School District in a trust or as an agent for individuals, private organizations, other governments, and/or other funds. Trust Funds are accounted for in essentially the same manner as governmental funds. The School District's fiduciary funds are purely custodial (assets equal liabilities) and thus does not involve measurement of results of operations.



# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### 2. Summary of Significant Accounting Policies (continued)

##### B. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function for the general fund and the fund level for all other funds. Any budgetary modification at this level may only be made by resolution of the Board of Education.

**Tax Budget:** Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Lake County Budget Commission for rate determination.

**Estimated Resources:** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

**Appropriations:** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures for the general fund and the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### 2. Summary of Significant Accounting Policies (continued)

##### B. Budgetary Data

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions for the general fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**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 fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over and need not be reappropriated.

**Lapsing of Appropriations:** At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

##### C. Property, Plant, and Equipment

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

##### D. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

##### E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### 2. Summary of Significant Accounting Policies (continued)

##### E. Cash and Investments (continued)

During fiscal year 2005, the School District's investments were limited to STAROhio, the State Treasurer's Investment Pool. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$9,300 and \$193 to expendable trust fund.

##### F. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

#### 3. Cash and Investments

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### 3. Cash and Investments (continued)

Protection of Districts deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by a surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### 3. Cash and Investments (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$209,031 and the bank balance was \$2,137 all of which was covered by federal depository insurance. Although all State statutory requirements for the deposits of money had been followed, noncompliance with federal requirements could subject the District to a successful claim by the FDIC.

Investments: The financial institution maintains records identifying the District as owner of these securities. STAR Ohio is an unclassified investment since it is not evidenced by securities which exist in physical or book entry form.

The carrying amount of cash and investments at June 30 was as follows:

Demand deposits	\$ (35,918)
STAR Ohio	<u>244,949</u>
<i>Total cash, deposits, and investments</i>	<u>\$ 209,031</u>

#### 4. Property Taxes

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2003.

Real property taxes become a lien on all nonexempt real property located in the District on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### 4. Property Taxes (continued)

The full tax rate applied to real property, for the fiscal year ended June 30, 2005 was \$77.12 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$33.36 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$48.61 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended June 30, 2005, was \$77.12 per \$1,000 of assessed valuation.

Real Property Valuation:	
Residential/Agricultural	\$ 46,523,470
Commercial/Industrial	11,389,990
Public Utility Tangible	3,171,400
General Tangible	3,989,810
Tax Exempt	2,683,050

The Lake County Treasurer collects property tax on behalf of all taxing districts within the District. The Lake County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

#### 5. Risk Management

##### A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, Indiana Insurance Company provides professional liability coverage to the School District. This coverage has a \$1,000,000 single occurrence and \$3,000,000 annual aggregate with a minimal deductible.

The vehicular fleet is provided by Indiana Insurance Company with \$100 deductible for comprehensive and \$250 deductible for collision. Fleet liability has a combined single limit of \$1,000,000.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### 5. Risk Management (continued)

##### A. Property and Liability (continued)

The Boiler and Machinery insurance is provided by Indiana Insurance Company. Boiler and Machinery limits are \$16,547,372 with \$1,000 deductible. Crime insurance is purchased through Love Insurance and is provided by Indiana Insurance Company. The Property and Casualty insurance is purchased through Love Insurance and is provided by Indiana Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

##### B. Medical Benefits

The School District has contracted with the Lake County Schools Council of Governments (LCSC) to provide employee health and medical benefits since 1995. The LCSC is a shared risk pool comprised of eleven Lake County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The LCSC Board of Directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims.

The LCSC has stop loss coverage of 110% of expected claims. The District's share of the claims liability was provided by the third party administrator and is based on the requirements of Government Accounting Standards Board, Statement No. 10, which requires that a liability for unpaid claims cost, including estimates of cost related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Should contributions prove to be insufficient to pay program costs of the insurance program for any fiscal year, each participating member may be notified of the deficiency and can be billed for its share of the additional cost.

Changes in the claims liability amount were:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2005	\$65,736	\$493,749	\$483,114	\$76,371

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### 5. Risk Management (continued)

#### B. Medical Benefits (continued)

The June 30, 2005 claims liability and cash with fiscal agent are determined based on the percentage of the School District's participants to total pool participants. For the year ended June 30, 2005 the pools cash reserves and claims liability were \$6,317,545 and \$3,079,491 respectively. The Schools Districts allocated pool percentage for the year ended June 30, 2005 was 2.48 percent, which represents \$156,675 and \$76,371 of pool cash reserves and claims liabilities.

#### C. Workers' Compensation

For Fiscal Year 2005, the School District participated in the Ohio Schools Council Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The school districts apply for participation each year. Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

#### 6. Retirement Systems

Certified teachers employed by the District participate in the State Teachers Retirement System of Ohio (STRS). The District's officials and all other employees belong to the School Employees Retirement System of Ohio (SERS). STRS and SERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. STRS members contributed 10.5 percent of their wages and the District contributed an amount equal to 14 percent of participants' gross salaries. SERS members contributed 10 percent of their wages and the District contributed an amount equal to 14 percent for of participants' gross salaries. The District has paid all contributions required through June 30, 2005.



# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

#### 7. Notes Payable

The School District's note activity, including amounts outstanding and interest rates, is as follows:

	Balance 6/30/04	Additions	Deletions	Balance 6/30/05
<u>Capital Projects Fund</u>				
HB 264 Project - 4.25%	\$280,000	\$ 280,000	\$280,000	\$280,000

#### 8. Jointly Governed Organizations

##### A. East Shore Center

The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. East Shore Center is not accumulating significant resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Lake County Educational Service Center, 30 South Park Place, Suite 320, Painesville, Ohio 44077.

##### B. East Shore Regional Transportation System

The East Shore Regional Transportation System (ESRTS) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen member school district. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. ESRTS is not accumulating significant financial resources or experiencing fiscal distress which would cause additional financial benefit or burden on the School District. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, Ohio 44094.

##### C. 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 to the Auburn Career Center's Board of Education. The students of each participating School District may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to representation on the board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### **8. Jointly Governed Organizations (continued)**

##### **D. Lake/Geauga Computer Association**

The Lake/Geauga Computer Association (LGCA) is a jointly governed organization that 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 School Districts support 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. LCGA's continued existence is not dependent on the School District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8221 Auburn Road, Painesville, Ohio 44077.

##### **E. Ohio Schools Council**

The Ohio Schools' Council (the "Council") is a jointly governed organization among its eighty-three member School Districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member School Districts. Each School District supports the Council by paying a one-time fee of \$500 and an annual participation fee. The Council's Board consists of seven (7) superintendents of the participating School Districts whose term rotates every year. During Fiscal Year 2005, the School District paid \$750 to the Council. The degree of control exercised by any School District is limited to its representation on the Board. Financial information can be obtained by contacting the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio, 44131.

The School District participates in the Council's electric purchase program, which was implemented during fiscal year 1998. This program allows School District to purchase electric at reduced rates, if the School District will commit to participating for an eight-year period. The participants make monthly payments based on estimated usage. Each June, the Council compares the estimated usage to the actual usage and any necessary adjustments are made.

Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to pre-purchase eight years of electric from Cleveland Electric Illuminating (CEI) for the participants. The participating School Districts are not obligated in any manner for this debt. If a participating School District terminates its agreement of participation, that School District is required to repay savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

The School District also participates in the Council's prepaid natural gas program, which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts committed to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### **8. Jointly Governed Organizations (continued)**

##### **E. Ohio Schools Council (continued)**

The District of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contribution to the operating fund, which are not encumbered for its share of program administrative costs.

#### **9. Related Organization**

The Fairport Harbor Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Fairport Harbor Exempted School District's Board of Education. The Board of Trustees possess its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Fairport Harbor Public Library, Linda Hofer, Clerk/Treasurer, at 335 Vine Street, Fairport Harbor, Ohio, 44077.

#### **10. Public Entity Risk Pool**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. All participating members retain their risk and are completely responsible for paying their own claims. The HCBP acts solely as the claims servicing agent.

#### **11. Health Care Benefits Risk Pool**

Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance – The School District participates in Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program, a shared risk pool, comprised of eleven members. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The Plan's business and affairs are conducted by a five member Board of Directors elected from the HCBP's assembly. The assembly elects officers for one year terms to serve on the Board of Directors.

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### For The Year Ended June 30, 2005

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#### 12. Contingencies

##### A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires 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 School District at June 30, 2005.

##### B. Litigation

As of June 30, 2005, the School District was not party to any legal proceedings.

#### 13. Set-Aside Requirements

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2005, only the unspent portion of workers' compensation refunds continues to be set aside.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisitions and budget stabilization. Disclosure of this information is required by the State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2004	\$ (28,226)	\$ -	\$ 28,321
Current year set-aside requirement	87,304	87,304	-
Qualifying Disbursements	<u>(56,963)</u>	<u>(31,317)</u>	<u>-</u>
Totals	\$ <u>2,115</u>	\$ <u>55,987</u>	\$ <u>28,321</u>
Set-aside Balance Carried Forward to Future Fiscal Years	\$ <u>2,115</u>	\$ <u>-</u>	\$ <u>28,321</u>
Set-aside Reserve Balance as of June 30, 2005	\$ <u>-</u>	\$ <u>-</u>	\$ <u>28,321</u>

# Fairport Harbor Exempted Village School District

## Notes to the Financial Statements (continued)

### **For The Year Ended June 30, 2005**

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#### **13. Set-Aside Requirements (continued)**

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$28,321. The general fund balance includes \$28,321 that has been designated for the amount of set-asides in excess of requirements.

#### **14. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Education  
Fairport Harbor Exempted Village School District

We have audited the accompanying financial statements of the Fairport Harbor Exempted Village School District, Lake County, Ohio (the “District”), as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated February 19, 2008, wherein we noted the District’s financial statements did not present fairly the financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. We conducted our audits 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 Control over Financial Reporting**

In planning and performing our audits, we considered the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, in a separate letter to the District’s management dated February 19, 2008, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Board of Education  
Fairport Harbor Exempted Village School District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings as item 2005/2006-001.

We also noted certain additional matters that we reported to management of the Fairport Harbor Exempted Village School District, Ohio in a separate letter dated February 19, 2008.

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

*Cini & Panichi, Inc.*

Cleveland, Ohio  
February 19, 2008

# Fairport Harbor Exempted Village School District

## Schedule of Findings

**June 30, 2006 and 2005**

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### **Findings Related To The Financial Statements Required To Be Reported In Accordance With GAGAS**

2005/2006-001

#### Noncompliance Citation

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

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 (GAAP). However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should take the necessary steps to prepare the annual financial statements in accordance with accounting principles generally accepted in the United States of America.



# Fairport Harbor Exempted Village School District

## Schedule of Prior Audit Findings

**June 30, 2006 and 2005**

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<b>Finding No.</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Explanation</b>
2004-001	<p>Ohio Revised Code Section 117.38 provides that each public office shall file financial report for each fiscal year. 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 (GAAP).</p> <p>At June 30, 2006 and 2005, the District did not prepare the financial statements in accordance with GAAP.</p>	No	The City has this non-compliance during the fiscal year 2005 and 2006.

**Fairport Harbor Exempted Village  
School District**

**329 Vine Street  
Fairport Harbor, Ohio 44077  
(440) 354-5400**

**Response To Findings Associated With Audit Conducted  
In Accordance With *Government Auditing Standards***

**June 30, 2006 and 2005**

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Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005/2006 -001	The District will prepare their financial statements in accordance with GAAP.	12/31/07	Michael Patrizi, Treasurer



**Mary Taylor, CPA**  
Auditor of State

**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT**

**LAKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 22, 2008**