



**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT  
LAKE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2001 & 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT  
LAKE COUNTY**

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Fairport Harbor Exempted Village School District  
Lake County  
329 Vine Street  
Fairport Harbor, Ohio 44077

We have audited the accompanying general-purpose financial statements of the Fairport Harbor Exempted Village School District, Lake County, (the District) as of and for the years ended June 30, 2001 and June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

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 audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fairport Harbor Exempted Village School District, Lake County, as of June 30, 2001 and June 30, 2000, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2001 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

**Jim Petro**  
Auditor of State

December 14, 2001

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**Fairport Harbor Exempted Village School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*June 30, 2001*

	Governmental Fund Types					Fiduciary Fund Type	Account Groups			Total
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency		General Fixed Assets	Long-Term Obligations	(Memorandum Only)	
<b>Assets and Other Debits</b>										
Assets:										
Equity in Pooled Cash and Cash Equivalents	\$ 588,067	\$ 167,789	\$ 15	\$ 57,686	\$ 26,978	\$ -	\$ -	\$ -	\$ 840,535	
Cash with Fiscal Agent Receivables:	128,351	-	-	-	-	-	-	-	128,351	
Taxes	2,082,779	-	-	75,668	-	-	-	-	2,158,447	
Delinquent Taxes	165,520	-	-	5,317	-	-	-	-	170,837	
Accounts	711	427	-	-	-	-	-	-	1,138	
Interfund Loans	75,200	-	-	-	-	-	-	-	75,200	
Materials and Supplies	1,426	-	-	-	-	-	-	-	1,426	
Restricted Assets -										
Equity in Pooled Cash & Cash Equivalents	28,321	-	-	-	-	-	-	-	28,321	
Fixed Assets (net, where applicable of accumulated depreciation)	-	-	-	-	-	2,091,524	-	-	2,091,524	
Other Debits:										
Amount available in Debt Service Fund	-	-	-	-	-	-	15	-	15	
Amount to be provided from General Government Resources	-	-	-	-	-	-	280,271	-	280,271	
<b>Total Assets and Other Debits</b>	<b>\$ 3,070,375</b>	<b>\$ 168,216</b>	<b>\$ 15</b>	<b>\$ 138,671</b>	<b>\$ 26,978</b>	<b>\$ 2,091,524</b>	<b>\$ 280,286</b>	<b>\$ -</b>	<b>\$ 5,776,065</b>	
<b>Liabilities, Fund Equity and Other Credits</b>										
Liabilities:										
Accounts Payable	\$ 10,841	\$ 4,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,391	
Accrued Wages & Benefits	407,858	67	-	-	-	-	-	-	407,925	
Interfund Loans Payable	2,000	73,200	-	-	-	-	-	-	75,200	
Due to Other Governments	28,044	-	-	-	-	-	-	-	28,044	
Deferred Revenues - Taxes	2,088,299	-	-	75,985	-	-	-	-	2,164,284	
Claims Liabilities	60,079	-	-	-	-	-	-	-	60,079	
Due to Students	-	-	-	-	22,151	-	-	-	22,151	
Pension Obligations Payable	-	-	-	-	-	-	34,051	-	34,051	
Compensated Absences Payable	3,478	-	-	-	-	-	246,235	-	249,713	
Notes Payable	-	-	-	360,000	-	-	-	-	360,000	
Total Liabilities	2,600,599	77,817	-	435,985	22,151	-	280,286	-	3,416,838	
Fund Equity and Other Credits:										
Investment in General Fixed Assets	-	-	-	-	-	2,091,524	-	-	2,091,524	
Reserved for Encumbrances	90,441	8,929	-	24,711	-	-	-	-	124,081	
Fund Balances:										
Reserved for Materials & Supplies	1,426	-	-	-	-	-	-	-	1,426	
Reserved for Property Tax	160,000	-	-	5,000	-	-	-	-	165,000	
Reserved for Debt Service	-	-	15	-	-	-	-	-	15	
Reserved for Budget Stabilization	28,321	-	-	-	-	-	-	-	28,321	
Unreserved: Designated Claims	68,272	-	-	-	-	-	-	-	68,272	
Unreserved: Undesignated (deficit)	121,316	81,470	-	(327,025)	4,827	-	-	-	(119,412)	
Total Fund Equity and Other Credits	469,776	90,399	15	(297,314)	4,827	2,091,524	-	-	2,359,227	
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 3,070,375</b>	<b>\$ 168,216</b>	<b>\$ 15</b>	<b>\$ 138,671</b>	<b>\$ 26,978</b>	<b>\$ 2,091,524</b>	<b>\$ 280,286</b>	<b>\$ -</b>	<b>\$ 5,776,065</b>	

See Accompanying Notes to the General Purpose Financial Statements.

**Fairport Harbor Exempted Village School District**

*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balance  
All Governmental Fund Types and Expendable Trust Funds  
For the Fiscal Year Ended June 30, 2001*

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues</b>						
Taxes	\$ 1,933,781	\$ -	\$ -	\$ 68,577	\$ -	\$ 2,002,358
Tuition	592,572	-	-	-	-	592,572
Transportation Fees	-	-	-	-	-	-
Earnings on Investments	72,576	-	-	-	-	72,576
Extracurricular Activities	2,260	29,168	-	-	-	31,428
Classroom Materials & Fees	13,014	-	-	-	-	13,014
Miscellaneous	45,156	33,239	-	-	2,000	80,395
Unrestricted Grants-in-Aid - State	1,457,759	-	-	13,294	-	1,471,053
Restricted Grants-in-Aid - State	7,299	95,004	-	33,776	-	136,079
Restricted Grants-in-Aid - Federal	-	73,769	-	-	-	73,769
<b>Total Revenue</b>	<u>4,124,417</u>	<u>231,180</u>	<u>-</u>	<u>115,647</u>	<u>2,000</u>	<u>4,473,244</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	1,989,984	88,524	-	16,497	-	2,095,005
Special	164,052	43,393	-	-	-	207,445
Vocational	81,753	-	-	-	-	81,753
Other	191,683	-	-	-	-	191,683
Support Services:						
Pupil	129,292	110,578	-	-	-	239,870
Instructional Staff	81,584	13,585	-	-	-	95,169
Board of Education	12,404	-	-	-	-	12,404
Administration	483,807	29,924	-	-	-	513,731
Fiscal Services	156,868	-	-	657	-	157,525
Business	14,969	-	-	-	-	14,969
Operation and Maintenance	549,159	-	-	74,728	-	623,887
Pupil Transportation	115,409	-	-	-	-	115,409
Central Services	-	11,069	-	-	-	11,069
Non-Instructional Services:	6,313	-	-	-	500	6,813
Extracurricular Activities:	123,492	37,916	-	-	-	161,408
Capital Outlay:	1,383	-	-	297,286	-	298,669
Debt Service						
Principal	16,961	-	-	-	-	16,961
Interest	787	-	-	19,669	-	20,456
<b>Total Expenditures</b>	<u>4,119,900</u>	<u>334,989</u>	<u>-</u>	<u>408,837</u>	<u>500</u>	<u>4,864,226</u>
Excess (deficiency) of Revenues over Expenditures	<u>4,517</u>	<u>(103,809)</u>	<u>-</u>	<u>(293,190)</u>	<u>1,500</u>	<u>(390,982)</u>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers-In	-	-	-	60,000	-	60,000
Operating Transfers-Out	(60,000)	-	-	-	-	(60,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(60,000)</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of Revenues, Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>(55,483)</u>	<u>(103,809)</u>	<u>-</u>	<u>(233,190)</u>	<u>1,500</u>	<u>(390,982)</u>
Fund Balance (deficit) - Beginning of Year	<u>525,259</u>	<u>194,208</u>	<u>15</u>	<u>(64,124)</u>	<u>3,327</u>	<u>658,685</u>
<b>Fund Balance (deficit) - End of Year</b>	<u>\$ 469,776</u>	<u>\$ 90,399</u>	<u>\$ 15</u>	<u>\$ (297,314)</u>	<u>\$ 4,827</u>	<u>\$ 267,703</u>

See Accompanying Notes to the General Purpose Financial Statements.



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**Fairport Harbor Exempted Village School District**  
*Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
for the Fiscal Year Ended June 30, 2001*

	Governmental Fund Types		
	General		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 2,013,781	\$ 2,013,781	\$ -
Tuition	592,572	592,572	-
Earnings on Investments	75,642	75,642	-
Extracurricular Activities	2,245	2,285	40
Classroom Materials & Fees	12,956	13,252	296
Miscellaneous	46,024	38,705	(7,319)
Unrestricted Grants-in-Aid - State	1,458,009	1,458,009	-
Restricted Grants-in-Aid - State	7,299	7,299	-
Restricted Grants-in-Aid - Federal	-	-	-
<b>Total Revenue</b>	<b>4,208,528</b>	<b>4,201,545</b>	<b>(6,983)</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	1,963,489	1,942,584	20,905
Special	178,126	165,851	12,275
Vocational Education	81,780	78,689	3,091
Other	231,034	225,401	5,633
Supporting Services:			
Pupils	148,205	140,024	8,181
Instructional Staff	86,228	82,372	3,856
Board of Education	16,150	12,404	3,746
Administration	514,760	496,013	18,747
Fiscal Services	161,775	154,657	7,118
Business	20,310	19,355	955
Operation of Maintenance of Plant	609,330	591,676	17,654
Pupil Transportation	158,890	148,041	10,849
Central	-	-	-
Non-Instructional Services:	8,000	6,308	1,692
Extracurricular Activities:	134,200	122,748	11,452
Capital Outlay:	3,000	1,383	1,617
Debt Service:			
Principal	16,970	16,961	9
Interest	830	787	43
<b>Total Expenditures</b>	<b>4,333,077</b>	<b>4,205,254</b>	<b>127,823</b>
Excess of Revenues over/ (under) Expenditures	<u>(124,549)</u>	<u>(3,709)</u>	<u>120,840</u>
<b>Other Financing Sources (Uses)</b>			
Advances-In	2,000	2,000	-
Operating Transfers-In	-	-	-
Proceeds of Notes	-	-	-
Refund of Prior Year Expenditures	1,030	10,124	9,094
Advances-Out	(72,700)	(72,700)	-
Operating Transfers-Out	(60,000)	(60,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(129,670)</b>	<b>(120,576)</b>	<b>9,094</b>
<b>Excess of Revenues, Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(254,219)</b>	<b>(124,285)</b>	<b>129,934</b>
Fund Balance - Beginning of Year	519,562	519,562	-
Prior Years Encumbrances Appropriated	126,885	126,885	-
<b>Fund Balance - End of Year</b>	<b>\$ 392,228</b>	<b>\$ 522,162</b>	<b>\$ 129,934</b>

See Accompanying Notes to the General Purpose Financial Statements

Governmental Fund Types

Special Revenue			Debt Service		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
28,102	29,203	1,101	-	-	-
34,960	33,864	(1,096)	-	-	-
91,555	95,004	3,449	-	-	-
73,769	73,769	-	-	-	-
<u>228,386</u>	<u>231,840</u>	<u>3,454</u>	<u>-</u>	<u>-</u>	<u>-</u>
121,136	111,676	9,460	-	-	-
46,071	44,244	1,827	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
112,980	105,006	7,974	-	-	-
16,695	13,527	3,168	-	-	-
-	-	-	-	-	-
36,625	30,794	5,831	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,500	11,028	1,472	-	-	-
217	-	217	-	-	-
49,595	38,693	10,902	-	-	-
-	-	-	-	-	-
-	-	-	400,000	400,000	-
-	-	-	19,669	19,669	-
<u>395,819</u>	<u>354,968</u>	<u>40,851</u>	<u>419,669</u>	<u>419,669</u>	<u>-</u>
<u>(167,433)</u>	<u>(123,128)</u>	<u>44,305</u>	<u>(419,669)</u>	<u>(419,669)</u>	<u>-</u>
72,950	72,700	(250)	-	-	-
-	-	-	60,000	60,000	-
-	-	-	360,000	360,000	-
-	-	-	-	-	-
(2,000)	(2,000)	-	-	-	-
-	-	-	-	-	-
<u>70,950</u>	<u>70,700</u>	<u>(250)</u>	<u>420,000</u>	<u>420,000</u>	<u>-</u>
<b>(96,483)</b>	<b>(52,428)</b>	<b>44,055</b>	<b>331</b>	<b>331</b>	<b>-</b>
150,968	150,968	-	15	15	-
60,321	60,321	-	-	-	-
<u>\$ 114,806</u>	<u>\$ 158,861</u>	<u>\$ 44,055</u>	<u>\$ 346</u>	<u>\$ 346</u>	<u>\$ -</u>

Governmental Fund Types			Fiduciary Fund Type		
Capital Projects			Expendable Trust		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 73,577	\$ 73,577	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,000	2,000	-
13,294	13,294	-	-	-	-
33,776	33,776	-	-	-	-
-	-	-	-	-	-
<u>120,647</u>	<u>120,647</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
16,840	16,497	343	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,733	-	5,733	-	-	-
750	657	93	-	-	-
-	-	-	-	-	-
110,823	108,873	1,950	-	-	-
-	-	-	-	-	-
-	-	-	5,326	500	4,826
-	-	-	-	-	-
320,152	319,497	655	-	-	-
-	-	-	-	-	-
<u>454,298</u>	<u>445,524</u>	<u>8,774</u>	<u>5,326</u>	<u>500</u>	<u>4,826</u>
<u>(333,651)</u>	<u>(324,877)</u>	<u>8,774</u>	<u>(3,326)</u>	<u>1,500</u>	<u>4,826</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(333,651)</u>	<u>(324,877)</u>	<u>8,774</u>	<u>(3,326)</u>	<u>1,500</u>	<u>4,826</u>
344,949	344,949	-	3,326	3,326	-
12,573	12,573	-	-	-	-
<u>\$ 23,871</u>	<u>\$ 32,645</u>	<u>\$ 8,774</u>	<u>\$ -</u>	<u>\$ 4,826</u>	<u>\$ 4,826</u>

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,087,358	\$ 2,087,358	\$ -
592,572	592,572	-
75,642	75,642	-
30,347	31,488	1,141
12,956	13,252	296
82,984	74,569	(8,415)
1,471,303	1,471,303	-
132,630	136,079	3,449
73,769	73,769	-
<u>4,559,561</u>	<u>4,556,032</u>	<u>(3,529)</u>
2,101,465	2,070,757	30,708
224,197	210,095	14,102
81,780	78,689	3,091
231,034	225,401	5,633
261,185	245,030	16,155
102,923	95,899	7,024
16,150	12,404	3,746
557,118	526,807	30,311
162,525	155,314	7,211
20,310	19,355	955
720,153	700,549	19,604
158,890	148,041	10,849
12,500	11,028	1,472
13,543	6,808	6,735
183,795	161,441	22,354
323,152	320,880	2,272
416,970	416,961	9
20,499	20,456	43
<u>5,608,189</u>	<u>5,425,915</u>	<u>182,274</u>
<u>(1,048,628)</u>	<u>(869,883)</u>	<u>178,745</u>
74,950	74,700	(250)
60,000	60,000	-
360,000	360,000	-
1,030	10,124	9,094
(74,700)	(74,700)	-
(60,000)	(60,000)	-
<u>361,280</u>	<u>370,124</u>	<u>8,844</u>
<b>(687,348)</b>	<b>(499,759)</b>	<b>187,589</b>
1,018,820	1,018,820	-
199,779	199,779	-
<u>\$ 531,251</u>	<u>\$ 718,840</u>	<u>\$ 187,589</u>

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**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2001***

**Note 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 10 classified personnel, 55 certificated teaching personnel and 3 administrative employees to provide services to 537 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 15, 16, 17 and 18 to the general purpose financial statements.

**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**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.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2001***

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 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.

**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 Funds:** 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.

**Fiduciary Fund Types** Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The School District's agency fund is purely custodial (assets equal liabilities) and thus does not involve measurement of results of operations.

**Account Groups** To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group:** This account group is used to account for all fixed assets of the School District.

**General Long-Term Obligations Account Group:** This account group is used to account for all long-term obligations of the School District.



**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2001***

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statement of these funds present increase (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxes (available in the County Auditor's Office), interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2001***

**C. 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. The retirement of the tax anticipation notes is budgeted in the debt service fund however, for GAAP purposes it is presented as part of the general fund.

**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 2001.

**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.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2001***

**Encumbrances:** As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

**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.

**D. 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 2001, 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, 2001.

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 2001 amounted to \$72,576.

The School District participates in the Lake County Council of Governments Health Care Benefits Program insurance consortium for medical claims processing. These monies are held separate from the School District's central bank account and are reflected on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents". The Mentor Exempted City School District serves as fiscal agent for the insurance consortium.

For purpose of the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

**E. Inventory**

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental funds types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2001***

**F. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. Restricted assets included unexpended revenues restricted for the amount required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 21 for additional information.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District does not have any infrastructure.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized. Improvements are capitalized over the remaining useful lives of fund fixed assets. Assets in the general fixed assets account group are not depreciated.

**H. Interfund Assets and Liabilities**

Receivables and Payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rate at fiscal year-end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2001***

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Long-term loans are recognized as a liability of the general long-term obligations account group until due.

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**L. Fund Balance Reserves**

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Undesignated fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, debt service, property taxes, and for budget stabilization. The reserve for taxes represents property taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents cash that has been set aside as required by State statute to protect against cyclical changes in revenues and expenditures. Fund balance in the general fund includes a designation that represents the amount of money the School District has set-aside for future claim payments.

**M. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**N. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals – (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**Note 3 – Compliance and Accountability**

**A. Fund Deficits**

The following funds had deficit fund balances at June 30, 2001:

	<u>Deficit Fund Balance</u>
Special Revenue Funds:	
Title VI-B	\$28,646
Title 1	32,043
Title VI	2,329
Classroom Reduction	7,133
Capital Projects Fund:	
Permanent Improvement	314,656

The special revenue and capital projects fund deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – All Governmental Fund Types and Expendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget) rather than as a reservation of fund balance for governmental fund types.
4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Fairport Harbor Exempted Village School District**  
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Excess of Revenues and Other Financing Sources  
Over/(Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(\$ 55,483)	(\$103,809)	\$ 0	(\$233,190)	\$1,500
Net Adjustments:					
Revenue Accruals	89,252	73,360	60,000	(55,000)	0
Expenditure Accruals	(67,613)	(13,040)	(419,669)	(11,976)	0
Proceeds of Notes	0	0	360,000	0	0
Encumbrances	<u>( 90,441)</u>	<u>-(8,939)</u>	<u>0</u>	<u>-(24,711)</u>	<u>0</u>
Budget Basis	<u>(\$124,285)</u>	<u>(\$52,428)</u>	<u>\$ 331</u>	<u>(\$324,877)</u>	<u>\$ 1,500</u>

**Note 5 – Deposits and Investments**

State statutes classify monies held by the School 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 School 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 two-year 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 accounts including passbook accounts.

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 issuance's of federal government agencies or instrumentalities;

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
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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) of this section 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 (180) days in an amount not to exceed twenty five percent (25%) of the interim monies available for investment at any one time, and
8. Under limited circumstances, corporate 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 specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, by 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.

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 the fiscal year end, the carrying amount of the School District's deposits was (\$38,709) and the bank balance was \$1,813. Of the bank balance \$1,813 is covered by Federal Depository Insurance.

**Cash With Fiscal Agent**

At the fiscal year end, the School District had \$128,351 in self-insurance monies, which is included on the balance sheet of the School District.



**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**Investments**

GASB statement 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered, or for which securities are held by the School District or its agent in the School District's name. Category 2 included uninsured and unregistered investments which securities are held by the counter-party's trust department or agent in the School District's name. Category 3 includes, uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the School District's name.

The School District has investments in the State Treasurer's Investment Pool (STAR OHIO) at June 30, 2001 in the amount of \$907,565, this particular investment is not a categorized investment because it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$997,207	\$ -
Money held by Fiscal Agent	(128,351)	-
Investments:		
STAR Ohio	<u>(907,565)</u>	<u>907,565</u>
GASB Statement 3	<u>(\$ 38,709)</u>	<u>\$907,565</u>

**Note 6 – Property Taxes**

Property taxes include amounts levied against real, public utility, and tangible property located within the School District. All property is required to be re-appraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35% of appraised market value. Pertinent real property tax dates are:

Collection Dates:	February and July of the current year.
Lien Date:	January 1 of the year preceding the collection year.
Levy Date:	October 1 of the year preceding the collection year.

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value.

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates: April and September of the current year.  
Lien Date: January 1 of the current year.  
Levy Date: October 1 of the year preceding the collection year.

Most public utility tangible personal property currently is assessed at 35% of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates: February and July of the current year.  
Lien Date: December 31 of the second year preceding the collection year.  
Levy Date: October 1 of the year preceding the collection year.

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. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Lake County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects real estate property taxes on behalf of all taxing School Districts within the County. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$165,000. \$160,000 was available to the general fund and \$5,000 was available to the capital projects fund.

The assessed values are properties upon which fiscal year 2001 property tax revenues were based are as follows:

	2000 Second Half Collections	2001 First Half Collections
Residential/Agricultural And Other Real Estate	\$38,227,630	\$43,874,280
Public Utility Personal	3,618,810	5,403,670
General Personal Property	<u>4,500,316</u>	<u>4,880,297</u>
Total Valuation	<u>\$46,346,756</u>	<u>\$54,158,247</u>

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**Note 7 – Receivables**

Receivables at June 30, 2001, consisted of taxes (both current and delinquent) (Note 6), accounts, Intergovernmental, and Interfund loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**Note 8 – Fixed Assets**

The following is a summary of changes in General Fixed Assets:

	Balance 7/1/00	Additions	Deductions	Balance 6/30/01
Land and Buildings	\$1,433,636	\$0	\$0	\$1,433,636
Vehicles	5,600	0	0	5,600
Furniture and Equipment	592,067	60,221	0	652,288
Total	<u>\$2,031,303</u>	<u>\$60,221</u>	<u>\$0</u>	<u>\$2,091,524</u>

**Note 9 – 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 2001, the School District contracted with Nationwide Insurance Company for its professional liability coverage. This coverage has a \$1,000,000 single occurrence and \$3,000,000 annual aggregate with no deductible.

The vehicular fleet is protected by Nationwide Insurance Company with \$50 deductible for comprehensive and \$250 deductible for collision. Fleet liability has a combined single limit of \$2,000,000.

The Boiler and Machinery insurance is provided by Nationwide-Harcum/Hyre Insurance Agency. Boiler and Machinery limits are \$100,000 with \$1,000 deductible. Crime insurance is purchased through Love Insurance and is provided by Reliance National Insurance. The Property and Casualty insurance is purchased through Love Insurance and is provided by Reliance National Insurance.

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.

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**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.

Change in the fund's claims liability amount in 2000 and 2001 were:

	<u>Beginning Balance</u>	<u>Current Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2000	\$24,201	\$261,555	\$214,569	\$71,187
2001	71,187	261,626	272,734	60,079

**C. Workers' Compensation**

For Fiscal Year 2001, the School District participated in the Ohio Schools Council Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2001***

**Note 10 – Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws.

**B. Sick Leave**

Each full time Certificated and Non-Certificated employee is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at a rate of one and one-fourth (1¼) days for each calendar month under contract. Sick leave can be accumulated up to three hundred (300) days. For the purpose of severance payment calculation, the School District negotiated agreement reflects that payment shall be based on twenty percent (20%) of the first one hundred fifty (150) days of accumulated sick days, twenty five percent (25%) of the next forty (40) days, and thirty three and one-third percent (33 1/3%) of all remaining accumulated days. The School District has a recorded liability of \$246,235 for sick leave payable at June 30, 2001 for Governmental Fund Types, in accordance with GASB no. 16 "Accounting for Compensated Absences". The amount has been recorded in the General Long-Term Obligations Account Group because it is expected that current financial resources will not be utilized to pay these long-term obligations.

**C. Vacation Leave**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 25 days. A detail scale is contained within the negotiated agreement pertaining to vacation earnings. Employees are permitted to carry over unused vacation earnings into the next fiscal year. Accumulated vacation shall not exceed the number of vacation days, which could be accumulated in two (2) years. The School District has recorded a liability of \$3,478 for vacation leave payable at June 30, 2001 for Governmental Fund Types, in accordance with GASB no. 16 "Accounting for Compensated Absences". The amount has been recorded in the fund from which it will ultimately be paid.

**Note 11 – Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2001***

Plan members are required to contribute 9 percent of their annual covered salary and the Fairport Harbor Exempted Village School District is required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits: for fiscal year 2001, 4.2 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for fiscal years ended June 30, 2001, 2000, and 1999 were \$20,285, \$20,921 and \$30,309, respectively; 42 percent has been contributed for fiscal year 2001 and 100 percent has been contributed for fiscal years 2000 & 1999. \$11,819 represents the unpaid contribution for fiscal year 2001, which is recorded as a liability within the respective funds, and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$184,839, \$118,070, and \$110,562, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent has been contributed for fiscal years 1999 & 2000. \$31,097 represents the unpaid contribution for fiscal year 2001, and is recorded as a liability within the respective funds.

**Note 12 – Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fee, prescription drugs and reimbursement of monthly medicare premiums. Benefits provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has authority over how much, if any, of the health costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$87,555 for fiscal year 2001.

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS has 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basis benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$51,218.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Note 13 – Notes Payable**

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

	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Capital Projects Fund				
HB 264 Project - 4.25%	<u>\$ 400,000</u>	<u>\$ 360,000</u>	<u>\$ 400,000</u>	<u>\$ 360,000</u>

**Note 14 – Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding at 6/30/00	Additions	Deletions	Principal Outstanding at 6/30/01
Energy Conservation Loan	\$ 16,961	-	\$ 16,961	\$ -
Intergovernmental Payable	20,628	34,051	20,628	34,051
Compensated Absences	<u>273,560</u>	<u>-</u>	<u>27,325</u>	<u>246,235</u>
Totals	<u>\$311,149</u>	<u>\$ 34,051</u>	<u>\$ 64,914</u>	<u>\$ 280,286</u>

The energy conservation loan was paid from general fund revenues. Compensated absences and Intergovernmental Payable will be paid from the fund from which the employees are paid.

The School District's overall debt margin was \$4,874,242 with an unvoted debt margin of \$54,158 at June 30, 2001.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2001***

**Note 15 – 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, Mentor Exempted Village School District, 6451 Center Street, Mentor, Ohio 44060.

**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, 8140 Auburn Road, Painesville, Ohio 44077.



**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2001***

**E. Ohio Schools Council**

The Ohio Schools Council (the "Council") is a jointly governed organization among its seventy 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 2001, 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 City 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.

**Note 16 – 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.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2001***

**Note 17 – 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.

**Note 18 – 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.

**Note 19 - 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, 2001.

**Note 20 – State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funded parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with this order. In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 14, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**Note 21 – 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. The School District is also required to set aside money for budget stabilization.

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.

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2000	(\$9,538)	(\$83,478)	\$56,958
Reduction authorized by legislative revisions	0	0	(28,637)
Current year set-aside requirement	92,393	92,393	0
Qualifying Disbursements	(132,301)	(159,877)	0
Totals	<u>(\$49,446)</u>	<u>(\$150,962)</u>	<u>\$28,321</u>
Set-aside Balance Carried Forward to			
Future Fiscal Years	<u>(\$49,446)</u>	<u>\$0</u>	<u>\$28,321</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$28,321</u>

The School District has 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.

**Note 22 – Change in Accounting Principles**

**Change in Accounting Principles** – For fiscal year 2001, the School District has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Transactions.” At June 30, 2000, there was no effect on the fund balance as a result of implementing these new statements.

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**Fairport Harbor Exempted Village School District**  
*Combined Balance Sheet*  
 All Fund Types and Account Groups  
 June 30, 2000

	Governmental Fund Types				Fiduciary Fund Type		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	Long-Term Obligations	Account Groups			
							General Fixed Assets			
<b>Assets and Other Debits</b>										
Assets:										
Equity in Pooled Cash and Cash Equivalents	\$ 596,340	\$ 211,289	\$ 15	\$ 357,521	\$ 22,911	\$ -	\$ -	\$ -	\$ -	\$ 1,188,076
Cash with Fiscal Agent Receivables:	132,590	-	-	-	-	-	-	-	-	132,590
Taxes	1,917,018	-	-	71,926	-	-	-	-	-	1,988,944
Delinquent Taxes	120,790	-	-	-	-	-	-	-	-	120,790
Intergovernmental	250	-	-	-	-	-	-	-	-	250
Accounts	493	1,087	-	-	-	-	-	-	-	1,580
Interfund Loans	2,500	-	-	-	-	-	-	-	-	2,500
Materials and Supplies	1,426	-	-	-	-	-	-	-	-	1,426
Restricted Assets - Equity in Pooled Cash & Cash Equivalents	56,958	-	-	-	-	-	-	-	-	56,958
Fixed Assets (net, where applicable of accumulated depreciation)	-	-	-	-	-	2,031,303	-	-	-	2,031,303
Other Debits:										
Amount available in Debt Service Fund	-	-	-	-	-	-	-	15	-	15
Amount to be provided from General Government Resources	-	-	-	-	-	-	-	311,134	-	311,134
<b>Total Assets and Other Debits</b>	<b>\$ 2,828,365</b>	<b>\$ 212,376</b>	<b>\$ 15</b>	<b>\$ 429,447</b>	<b>\$ 22,911</b>	<b>\$ 2,031,303</b>	<b>\$ 311,149</b>	<b>\$ 5,835,566</b>		
<b>Liabilities, Fund Equity and Other Credits</b>										
Liabilities:										
Accounts Payable	\$ 27,739	\$ 15,568	\$ -	\$ 27,503	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,810
Accrued Wages & Benefits	371,561	100	-	-	-	-	-	-	-	371,661
Interfund Loans Payable	-	2,500	-	-	-	-	-	-	-	2,500
Due to Other Governments	30,870	-	-	4,142	-	-	-	-	-	35,012
Deferred Revenues - Taxes	1,797,808	-	-	61,926	-	-	-	-	-	1,859,734
Claims Liabilities	71,187	-	-	-	-	-	-	-	-	71,187
Due to Students	-	-	-	-	19,584	-	-	-	-	19,584
Pension Obligations Payable	-	-	-	-	-	-	-	-	20,628	20,628
Compensated Absences Payable	3,941	-	-	-	-	-	-	-	273,560	277,501
Notes Payable	-	-	-	400,000	-	-	-	-	-	400,000
Energy Conservation Loans Payable	-	-	-	-	-	-	-	-	16,961	16,961
Total Liabilities	2,303,106	18,168	-	493,571	19,584	-	-	311,149	-	3,145,578
Fund Equity and Other Credits:										
Investment in General Fixed Assets	-	-	-	-	-	2,031,303	-	-	-	2,031,303
Fund Balances:										
Reserved for Encumbrances	126,885	59,168	-	5,060	-	-	-	-	-	191,113
Reserved for Materials & Supplies	1,426	-	-	-	-	-	-	-	-	1,426
Reserved for Property Tax	240,000	-	-	10,000	-	-	-	-	-	250,000
Reserved for Debt Service	-	-	15	-	-	-	-	-	-	15
Reserved for Budget Stabilization	56,958	-	-	-	-	-	-	-	-	56,958
Designated for Claims	61,403	-	-	-	-	-	-	-	-	61,403
Unreserved: Undesignated (deficit)	38,587	135,040	-	(79,184)	3,327	-	-	-	-	97,770
Total Fund Equity and Other Credits	525,259	194,208	15	(64,124)	3,327	2,031,303	-	-	-	2,689,988
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 2,828,365</b>	<b>\$ 212,376</b>	<b>\$ 15</b>	<b>\$ 429,447</b>	<b>\$ 22,911</b>	<b>\$ 2,031,303</b>	<b>\$ 311,149</b>	<b>\$ 5,835,566</b>		

See Accompanying Notes to the General Purpose Financial Statements.

**Fairport Harbor Exempted Village School District**

*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balance*

*All Governmental Fund Types and Expendable Trust Funds  
For the Fiscal Year Ended June 30, 2000*

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
<b>Revenues</b>						
Taxes	\$ 2,038,305	\$ -	\$ -	\$ 82,548	\$ -	\$ 2,120,853
Tuition	362,210	-	-	-	-	362,210
Earnings on Investments	48,438	-	-	-	-	48,438
Extracurricular Activities	25	23,735	-	-	-	23,760
Classroom Materials & Fees	18,993	-	-	-	-	18,993
Miscellaneous	64,945	51,380	-	4,137	2,174	122,636
Unrestricted Grants-in-Aid - State	1,330,335	-	-	4,741	-	1,335,076
Restricted Grants-in-Aid - State	6,077	84,360	-	6,876	-	97,313
Restricted Grants-in-Aid - Federal	-	128,747	-	-	-	128,747
<b>Total Revenue</b>	<b>3,869,328</b>	<b>288,222</b>	<b>-</b>	<b>98,302</b>	<b>2,174</b>	<b>4,258,026</b>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	1,900,983	27,747	-	9,674	-	1,938,404
Special	146,475	43,781	-	-	-	190,256
Vocational	72,154	-	-	-	-	72,154
Other	101,986	-	-	-	-	101,986
Support Services:						
Pupil	110,479	14,281	-	-	-	124,760
Instructional Staff	45,153	4,206	-	-	-	49,359
Board of Education	10,279	-	-	-	-	10,279
Administration	453,819	1,734	-	3,630	-	459,183
Fiscal Services	160,747	-	-	2,705	-	163,452
Operation and Maintenance	539,893	-	-	92,124	-	632,017
Pupil Transportation	96,084	-	-	-	-	96,084
Central Services	-	3,376	-	-	-	3,376
Non-Instructional Services:	4,511	-	-	-	-	4,511
Extracurricular Activities:	110,488	34,459	-	-	-	144,947
Capital Outlay:	13,326	-	-	77,473	-	90,799
Debt Service						
Principal	47,792	-	-	-	-	47,792
Interest	3,338	-	-	-	-	3,338
<b>Total Expenditures</b>	<b>3,817,507</b>	<b>129,584</b>	<b>-</b>	<b>185,606</b>	<b>-</b>	<b>4,132,697</b>
Excess (deficiency) of Revenues over Expenditures	51,821	158,638	-	(87,304)	2,174	125,329
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale or Loss of Assets	1	-	-	-	-	1
Operating Transfers-In	-	3,245	-	-	-	3,245
Operating Transfers-Out	(7,180)	-	-	-	-	(7,180)
<b>Total Other Financing Sources (Uses)</b>	<b>(7,179)</b>	<b>3,245</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,934)</b>
<b>Excess (deficiency) of Revenues, Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>44,642</b>	<b>161,883</b>	<b>-</b>	<b>(87,304)</b>	<b>2,174</b>	<b>121,395</b>
Fund Balance (deficit) - Beginning of Year	480,617	32,325	15	23,180	1,153	537,290
<b>Fund Balance (deficit) - End of Year</b>	<b>\$ 525,259</b>	<b>\$ 194,208</b>	<b>\$ 15</b>	<b>\$ (64,124)</b>	<b>\$ 3,327</b>	<b>\$ 658,685</b>

See Accompanying Notes to the General Purpose Financial Statements.

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**Fairport Harbor Exempted Village School District**  
*Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
for the Fiscal Year Ended June 30, 2000*

	Governmental Fund Types		
	General		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 1,992,305	\$ 1,992,305	\$ -
Earnings on Investments	41,587	41,587	-
Extracurricular Activities	-	-	-
Classroom Materials & Fees	18,542	18,657	115
Miscellaneous	35,866	35,866	-
Unrestricted Grants-in-Aid - State	1,695,545	1,695,545	-
Restricted Grants-in-Aid - State	5,827	5,827	-
Restricted Grants-in-Aid - Federal	-	-	-
<b>Total Revenue</b>	<b>3,789,672</b>	<b>3,789,787</b>	<b>115</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	1,894,970	1,889,816	5,154
Special	132,365	131,237	1,128
Vocational Education	72,204	71,379	825
Other	114,682	109,726	4,956
Supporting Services:			
Pupils	148,631	146,924	1,707
Instructional Staff	47,962	47,265	697
Board of Education	11,682	10,265	1,417
Administration	452,794	450,052	2,742
Fiscal Services	155,787	152,509	3,278
Business	2,600	-	2,600
Operation of Maintenance of Plant	534,580	532,047	2,533
Pupil Transportation	121,162	121,111	51
Central	79	-	79
Non-Instructional Services:	4,600	4,498	102
Extracurricular Activities:	110,962	109,721	1,241
Capital Outlay:	13,400	13,326	74
Debt Service:			
Principal	47,792	47,792	-
Interest	3,358	3,338	20
<b>Total Expenditures</b>	<b>3,869,610</b>	<b>3,841,006</b>	<b>28,604</b>
Excess of Revenues over/ (under) Expenditures	<u>(79,938)</u>	<u>(51,219)</u>	<u>28,719</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale or Loss of Assets	1	1	-
Advances-In	-	-	-
Operating Transfers-In	-	-	-
Proceeds of Notes	-	-	-
Refund of Prior Year Expenditures	10,397	10,397	-
Advances-Out	(2,000)	(2,000)	-
Operating Transfers-Out	(8,000)	(7,180)	820
Refund of Prior Year Receipts	(1,000)	-	1,000
<b>Total Other Financing Sources (Uses)</b>	<u>(602)</u>	<u>1,218</u>	<u>1,820</u>
<b>Excess of Revenues, Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(80,540)</b>	<b>(50,001)</b>	<b>30,539</b>
Fund Balance - Beginning of Year	534,887	534,887	-
Prior Year Encumbrances - Appropriated	<u>34,676</u>	<u>34,676</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<b>\$ 489,023</b>	<b>\$ 519,562</b>	<b>\$ 30,539</b>

See Accompanying Notes to the General Purpose Financial Statements



Governmental Fund Types

Special Revenue			Debt Service		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
23,418	23,700	282	-	-	-
-	-	-	-	-	-
49,569	49,569	-	-	-	-
-	-	-	-	-	-
84,360	84,360	-	-	-	-
128,747	128,747	-	-	-	-
<u>286,094</u>	<u>286,376</u>	<u>282</u>	<u>-</u>	<u>-</u>	<u>-</u>
69,654	42,759	26,895	-	-	-
44,449	44,134	315	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
47,481	31,807	15,674	-	-	-
5,319	4,205	1,114	-	-	-
-	-	-	-	-	-
10,050	1,915	8,135	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,499	3,377	122	-	-	-
217	-	217	-	-	-
62,005	44,053	17,952	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>242,674</u>	<u>172,250</u>	<u>70,424</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>43,420</u>	<u>114,126</u>	<u>70,706</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
2,000	2,000	-	-	-	-
3,245	3,245	-	-	-	-
-	-	-	-	-	-
759	759	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(8,708)</u>	<u>(8,708)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,704)	(2,704)	-	-	-	-
<b>40,716</b>	<b>111,422</b>	<b>70,706</b>	-	-	-
39,307	39,307	-	15	15	-
239	239	-	-	-	-
<u>\$ 80,262</u>	<u>\$ 150,968</u>	<u>\$ 70,706</u>	<u>\$ 15</u>	<u>\$ 15</u>	<u>\$ -</u>

Governmental Fund Types			Fiduciary Fund Type		
Capital Projects			Expendable Trust		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 73,820	\$ 73,820	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
1,000	1,000	-	2,174	2,174	-
4,741	4,741	-	-	-	-
6,876	6,876	-	-	-	-
-	-	-	-	-	-
<u>86,437</u>	<u>86,437</u>	<u>-</u>	<u>2,174</u>	<u>2,174</u>	<u>-</u>
9,738	9,674	64	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,000	3,630	1,370	-	-	-
2,850	2,705	145	-	-	-
-	-	-	-	-	-
103,244	80,401	22,843	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,327	-	3,327
-	-	-	-	-	-
398,000	77,473	320,527	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>518,832</u>	<u>173,883</u>	<u>344,949</u>	<u>3,327</u>	<u>-</u>	<u>3,327</u>
<u>(432,395)</u>	<u>(87,446)</u>	<u>344,949</u>	<u>(1,153)</u>	<u>2,174</u>	<u>3,327</u>
-	-	-	-	-	-
-	-	-	-	-	-
400,000	400,000	-	-	-	-
3,137	3,137	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>403,137</u>	<u>403,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>(29,258)</b>	<b>315,691</b>	<b>344,949</b>	<b>(1,153)</b>	<b>2,174</b>	<b>3,327</b>
18,359	18,359	-	1,153	1,153	-
10,899	10,899	-	-	-	-
<u>\$ -</u>	<u>\$ 344,949</u>	<u>\$ 344,949</u>	<u>\$ -</u>	<u>\$ 3,327</u>	<u>\$ 3,327</u>

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,066,125	\$ 2,066,125	\$ -
41,587	41,587	-
23,418	23,700	282
18,542	18,657	115
88,609	88,609	-
1,700,286	1,700,286	-
97,063	97,063	-
128,747	128,747	-
<u>4,164,377</u>	<u>4,164,774</u>	<u>397</u>
1,974,362	1,942,249	32,113
176,814	175,371	1,443
72,204	71,379	825
114,682	109,726	4,956
196,112	178,731	17,381
53,281	51,470	1,811
11,682	10,265	1,417
467,844	455,597	12,247
158,637	155,214	3,423
2,600	-	2,600
637,824	612,448	25,376
121,162	121,111	51
3,578	3,377	201
8,144	4,498	3,646
172,967	153,774	19,193
411,400	90,799	320,601
47,792	47,792	-
3,358	3,338	20
<u>4,634,443</u>	<u>4,187,139</u>	<u>447,304</u>
<u>(470,066)</u>	<u>(22,365)</u>	<u>447,701</u>
1	1	-
2,000	2,000	-
3,245	3,245	-
400,000	400,000	-
14,293	14,293	-
(2,000)	(2,000)	-
(8,000)	(7,180)	820
<u>(9,708)</u>	<u>(8,708)</u>	<u>1,000</u>
399,831	401,651	1,820
<b>(70,235)</b>	<b>379,286</b>	<b>449,521</b>
593,721	593,721	-
45,814	45,814	-
<b>\$ 569,300</b>	<b>\$ 1,018,821</b>	<b>\$ 449,521</b>

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**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2000***

**Note 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 10 classified personnel, 55 certificated teaching personnel and 3 administrative employees to provide services to 555 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 15, 16, 17 and 18 to the general purpose financial statements.

**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**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.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2000***

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 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.

**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 Funds:** 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.

**Fiduciary Fund Types** Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The School District's agency fund is purely custodial (assets equal liabilities) and thus does not involve measurement of results of operations.

**Account Groups** To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group:** This account group is used to account for all fixed assets of the School District.

**General Long-Term Obligations Account Group:** This account group is used to account for all long-term obligations of the School District.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2000***

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statement of these funds present increase (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxes (available in the County Auditor's Office), interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**C. 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.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2000***

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 2000.

**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:** As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

**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.

**D. 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 General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2000***

During fiscal year 2000, 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, 2000.

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 2000 amounted to \$48,438.

The School District participates in the Lake County Council of Governments Health Care Benefits Program insurance consortium for medical claims processing. These monies are held separate from the School District's central bank account and are reflected on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents". The Mentor Exempted City School District serves as fiscal agent for the insurance consortium.

For purpose of the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

**E. Inventory**

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The costs of inventory items are recorded as an expenditure in the governmental funds types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**F. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 2000, the School District pursuant to the requirements and guidelines of House Bill 412, set aside \$28,637 (1%) for the budget stabilization reserve. The total now in the budget stabilization reserve is \$56,958.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District does not have any infrastructure.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2000***

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized. Improvements are capitalized over the remaining useful lives of fund fixed assets. Assets in the general fixed assets account group are not depreciated.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlement**

**General Fund**

State Foundation Program  
State Property Tax Relief

**Special Revenue Funds**

State Foundation Program

**Non-Reimbursable Grants**

**Special Revenue Funds**

Eisenhower  
Title II  
Title VI-B  
Title I  
Title VI  
Drug Free Schools  
Preschool Grant  
Class Size Reduction  
Other Federal Miscellaneous

**Capital Project Funds**

School Net

**Reimbursable Grants**

**General Fund**

Drivers Education Reimbursement

Grants and Entitlements amounted to approximately 45% of the School District's governmental fund types' revenue in fiscal year 2000.

**I. Interfund Assets and Liabilities**

Receivables and Payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2000***

**J.       Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rate at fiscal year-end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

**K.       Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Long-term loans are recognized as a liability of the general long-term obligations account group until due.

**L.       Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2000**

**M. Fund Balance Reserves**

The School District records reservations for portions of fund equity, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Undesignated fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, debt service, property taxes, and for budget stabilization. The reserve for taxes represents property taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents cash that has been set aside as required by State statute to protect against cyclical changes in revenues and expenditures. Fund balance in the general fund includes a designation that represents the amount of money the School District has set-aside for future claim payments.

**N. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general-purpose financial statements are captioned "Totals – (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Note 3 – Compliance and Accountability**

**A. Fund Deficits**

The following funds had deficit fund balances at June 30, 2000:

	<u>Deficit Fund Balance</u>
Special Revenue Fund:	
Title 1	\$829
Capital Projects Fund:	
Permanent Improvement	64,187

The special revenue and capital projects fund deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
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**B. Compliance with Estimated Resources and Appropriations**

The Title II Special Revenue Fund had appropriations in excess of estimated resources plus available balances in the amount of \$880 for the fiscal year ended June 30, 2000, contrary to Ohio Revised Code Section 5705.39.

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – All Governmental Fund Types and Expendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget) rather than as a reservation of fund balance for governmental fund types.
4. Proceeds from and principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

	Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ 44,642	\$161,883	\$ 0	(\$87,304)	\$2,174
Net Adjustments:					
Revenue Accruals	(69,144)	913	0	(8,728)	0
Expenditure Accruals	101,386	7,794	0	24,296	0
Proceeds of Notes	0	0	0	400,000	0
Encumbrances	(126,885)	(59,168)	<u>0</u>	<u>(12,573)</u>	<u>0</u>
Budget Basis	<u>(\$50,001)</u>	<u>\$111,422</u>	<u>\$ 0</u>	<u>\$315,691</u>	<u>\$2,174</u>

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2000***

**Note 5 – Deposits and Investments**

State statutes classify monies held by the School 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 School 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 two-year 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 accounts including passbook accounts.

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) of this section 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 (180) days in an amount not to exceed twenty five percent (25%) of the interim monies available for investment at any one time, and

**Fairport Harbor Exempted Village School District**  
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8. Under limited circumstances, corporate 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 specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, by 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.

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 the fiscal year end, the carrying amount of the School District's deposits was (\$52,382) and the bank balance was \$1,257. Of the bank balance, \$1,257 is covered by Federal Depository Insurance.

**Cash With Fiscal Agent**

At the fiscal year end, the School District had \$132,590 in self-insurance monies, which is included on the balance sheet of the School District.

**Investments**

GASB statement 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered, or for which securities are held by the School District or its agent in the School District's name. Category 2 included uninsured and unregistered investments which securities are held by the counter-party's trust department or agent in the School District's name. Category 3 includes, uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the School District's name.

The School District has investments in the State Treasurer's Investment Pool (STAR OHIO) at June 30, 2000 in the amount of \$1,297,416, this particular investment is not a categorized investment because it is not evidenced by securities that exist in physical or book entry form.

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2000**

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$ 1,377,624	\$ -
Money held by Fiscal Agent	(132,590)	-
Investments:		
STAR Ohio	<u>(1,297,416)</u>	<u>\$1,297,416</u>
GASB Statement 3	<u>(\$ 52,382)</u>	<u>\$1,297,416</u>

**Note 6 – Property Taxes**

Property taxes include amounts levied against real, public utility, and tangible property located within the School District. All property is required to be re-appraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35% of appraised market value. Pertinent real property tax dates are:

Collection Dates:	February and July of the current year.
Lien Date:	January 1 of the year preceding the collection year.
Levy Date:	October 1 of the year preceding the collection year.

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates:	April and September of the current year.
Lien Date:	January 1 of the current year.
Levy Date:	October 1 of the year preceding the collection year.

Most public utility tangible personal property currently is assessed at 35% of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates:	February and July of the current year.
Lien Date:	December 31 of the second year preceding the collection year.
Levy Date:	October 1 of the year preceding the collection year.

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. Under certain circumstances, State statute permits later payment dates to be established.



**Fairport Harbor Exempted Village School District**  
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**For the Fiscal Year Ended June 30, 2000**

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Lake County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects real estate property taxes on behalf of all taxing School Districts within the County. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$250,000. \$240,000 was available to the general fund, and \$10,000 was available to the capital projects fund.

The assessed values are properties upon which fiscal year 2000 property tax revenues were based are as follows:

	1999 Second Half Collections	2000 First Half Collections
Residential/Agricultural And Other Real Estate	\$37,289,820	\$38,227,630
Public Utility Personal	3,835,850	3,618,810
General Personal Property	<u>4,466,706</u>	<u>4,500,316</u>
Total Valuation	<u>\$45,592,376</u>	<u>\$46,346,756</u>

**Note 7 – Receivables**

Receivables at June 30, 2000, consisted of taxes (both current and delinquent), accounts, Intergovernmental, and Interfund loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Intergovernmental receivables consisted of \$250 in the general fund received from the State of Ohio.

**Note 8 – Fixed Assets**

The following is a summary of changes in General Fixed Assets:

	Balance 7/1/99	Additions	Deductions	Balance 6/30/00
Land and Buildings	\$1,433,636	\$0	\$0	\$1,433,636
Vehicles	0	5,600	0	5,600
Furniture and Equipment	536,967	55,100	0	592,067
Total	<u>\$1,970,603</u>	<u>\$60,700</u>	<u>\$0</u>	<u>\$2,031,303</u>

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
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**Note 9 – 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 2000, the School District contracted with Nationwide Insurance Company for its professional liability coverage. This coverage has a \$1,000,000 single occurrence and \$3,000,000 annual aggregate with no deductible.

The vehicular fleet is protected by Nationwide Insurance Company with \$50 deductible for comprehensive and \$250 deductible for collision. Fleet liability has a combined single limit of \$2,000,000.

The Boiler and Machinery insurance is provided by Nationwide-Harcum/Hyre Insurance Agency. Boiler and Machinery limits are \$100,000 with \$1,000 deductible. Crime insurance is purchased through Love Insurance and is provided by Reliance National Insurance. The Property and Casualty insurance is purchased through Love Insurance and is provided by Reliance National Insurance.

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.

Change in the School District's share of the claims liability amount in fiscal year 1999 and 2000 were:

	Beginning Balance	Current Claims	Claims Payments	Ending Balance
1999	\$33,401	\$238,088	\$247,288	\$24,201
2000	24,201	261,555	214,569	71,187

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2000**

**C. Workers' Compensation**

For fiscal year 2000, the School District participated in the Ohio Schools Council Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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.

**Note 10 – Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws.

**B. Sick Leave**

Each full time Certificated and Non-Certificated employee is entitled to fifteen (15) days sick leave with pay for each year under contract and accrues sick leave at a rate of one and one-fourth (1¼) days for each calendar month under contract. Sick leave can be accumulated up to three hundred (300) days. For the purpose of severance payment calculation, the School District negotiated agreement reflects that payment shall be based on twenty percent (20%) of the first one hundred fifty (150) days of accumulated sick days, twenty five percent (25%) of the next forty (40) days, and thirty three and one-third percent (33 1/3%) of all remaining accumulated days. The School District has a recorded liability of \$273,560 for sick leave payable at June 30, 2000 for Governmental Fund Types, in accordance with GASB no. 16 "Accounting for Compensated Absences". The amount has been recorded in the General Long-Term Obligations Account Group because it is expected that current financial resources will not be utilized to pay these long-term obligations.

**C. Vacation Leave**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 25 days. A detail scale is contained within the negotiated agreement pertaining to vacation earnings. Employees are permitted to carry over unused vacation earnings into the next fiscal year. Accumulated vacation shall not exceed the number of vacation days, which could be accumulated in two (2) years. The School District has recorded a liability of \$3,941 for vacation leave payable at June 30, 2000 for Governmental Fund Types, in accordance with GASB no. 16 "Accounting for Compensated Absences". The amount has been recorded in the fund from which it will ultimately be paid.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2000***

**Note 11 – Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Fairport Harbor Exempted Village School District is required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits: for fiscal year 2000, 5.5 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for fiscal years ended June 30, 2000, 1999, and 1998 were \$20,921, \$30,309, and \$39,012, respectively; 60 percent has been contributed for fiscal year 2000 and 100 percent has been contributed for fiscal years 1998 & 1999. \$8,471 represents the unpaid contribution for fiscal year 2000, which is recorded as a liability within the respective funds, and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2000, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 6.0 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$118,070, \$110,562, \$188,192, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent has been contributed for fiscal years 1998 & 1999. \$20,407 represents the unpaid contribution for fiscal year 2000, and is recorded as a liability within the respective funds.

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2000**

**Note 12 – Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fee, prescription drugs and reimbursement of monthly medicare premiums. Benefits provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has authority over how much, if any, of the health costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$157,426 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, the balance in the Fund was \$3.419 Billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS has 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basis benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase of 2.20 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2000 fiscal year equaled \$38,655.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**Note 13 – Notes Payable**

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

	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Capital Project Fund				
HB 264 Project - 4.85%	\$ <u>-0-</u>	\$ <u>400,000</u>	\$ <u>-0-</u>	\$ <u>400,000</u>

**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2000**

**Note 14 – Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Principal Outstanding at 6/30/99	Additions	Deletions	Principal Outstanding at 6/30/00
Energy Conservation Loan	\$ 65,850	-	\$ 48,889	\$ 16,961
Intergovernmental Payable	18,084	20,628	18,084	20,628
Compensated Absences	<u>161,186</u>	<u>112,374</u>	<u>-</u>	<u>273,560</u>
Totals	<u>\$ 245,120</u>	<u>\$ 133,002</u>	<u>\$ 66,973</u>	<u>\$ 311,149</u>

The energy conservation loan will be paid from general fund revenues. Compensated absences and Intergovernmental Payables will be paid from the fund from which the employees are paid. The final payment of \$16,961 of principal and \$58 interest will be paid in fiscal year 2001.

The School District's overall debt margin was \$4,154,247 with an unvoted debt margin of \$46,347 at June 30, 2000.

**Note 15 – 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, Mentor Exempted Village School District, 6451 Center Street, Mentor, Ohio 44060.

**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 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 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.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2000***

**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, 8140 Auburn Road, Painesville, Ohio 44077.

**E. Ohio Schools Council**

The Ohio Schools Council (the "Council") is a jointly governed organization among its seventy 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 2000, 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.

**Fairport Harbor Exempted Village School District**  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2000***

**Note 16 – 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.

**Note 17 – 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.

**Note 18 – 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.

**Note 19 - 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, 2000.

**Note 20 – School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$1,097,243 of school foundation support for its general fund.



**Fairport Harbor Exempted Village School District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2000**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

**Note 21 – Set-Aside Requirements**

The School District is required by State statute to annually set aside in the general fund an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted sources must be held in cash at year-end and carried forward to be used for the same purpose in future years. The School District is also required to set aside money for the budget stabilization reserve.

The following cash basis information describes the changes in the amounts set aside for textbooks and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

	<u>Textbooks</u>	<u>Improvements</u>	<u>Stabilization</u>	<u>Total</u>
Set-aside Balance carried Forward July 1, 1999	\$ 9,029	\$ 3,182	\$28,321	\$ 40,532
Current Year set-asides	85,910	85,910	28,637	200,457
Qualifying expenditures	<u>(104,477)</u>	<u>(172,570)</u>	<u>0</u>	<u>(277,047)</u>
Cash Balance Carried Forward	<u>-\$9,538</u>	<u>-\$83,478</u>	<u>\$56,958</u>	<u>-\$36,058</u>

Although the School District had qualifying expenditures during the year that reduced the set-aside amounts below zero, these extra amounts may be used to reduce the set-aside requirements of future. The total reserve balance for the three set-asides at the end of fiscal year 2000 was \$56,958.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Board of Education  
Fairport Harbor Exempted Village School District  
Lake County  
329 Vine Street  
Fairport Harbor, Ohio 44077

We have audited the financial statements of Fairport Harbor Exempted Village School District, Lake County, Ohio, (the District) as of and for the years ended June 30, 2001 and June 30, 2000, and have issued our report thereon dated December 14, 2001. 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.

**Compliance**

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 grants, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 14, 2001.

**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 assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 14, 2001.

Fairport Harbor Exempted Village School District  
Lake County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

December 14, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**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  
JANUARY 3, 2002**