

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

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT

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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, Ohio, (the District), as of and for the year ended June 30, 1999, 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 audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose 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 District as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the accompanying financial statements, during fiscal year 1999 the District changed its accounting for deferred compensation plans.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO  
Auditor of State

December 17, 1999

**Fairport Harbor Exempted Village School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*June 30, 1999*

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b><i>Assets and Other Debits</i></b>			
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$529,046	\$40,699	\$29,257
Cash and Cash Equivalents With Fiscal Agents	113,955	0	0
Receivables:			
Taxes	1,892,927	0	68,216
Accounts	0	0	0
Intergovernmental	3,000	0	0
Interfund Receivable	500	0	0
Materials and Supplies Inventory	1,426	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	40,532	0	0
Fixed Assets	0	0	0
<b>Other Debits</b>			
Amount to be Provided from General Government Resources	0	0	0
<b><i>Total Assets and Other Debits</i></b>	<b>\$2,581,386</b>	<b>\$40,699</b>	<b>\$97,473</b>

Fiduciary Fund Type	Account Groups			
Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)	
\$15,833	\$0	\$0	\$614,835	
0	0	0	113,955	
0	0	0	1,961,143	
0	0	0	0	
0	0	0	3,000	
0	0	0	500	
0	0	0	1,426	
0	0	0	40,532	
0	1,970,603	0	1,970,603	
0	0	245,120	245,120	
<u>\$15,833</u>	<u>\$1,970,603</u>	<u>\$245,120</u>	<u>\$4,951,114</u>	

(continued)

**Fairport Harbor Exempted Village School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups (continued)*  
*June 30, 1999*

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b><i>Liabilities, Fund Equity and Other Credits</i></b>			
<b>Liabilities</b>			
Accounts Payable	\$2,032	\$100	\$7,349
Accrued Wages	278,420	6,307	0
Compensated Absences Payable	0	0	0
Interfund Payable	0	500	0
Intergovernmental Payable	97,174	315	0
Deferred Revenue	1,698,927	0	66,944
Due to Students	0	0	0
Claims Payable	24,201	0	0
Energy Conservation Loan Payable	0	0	0
	<b>2,100,754</b>	<b>7,222</b>	<b>74,293</b>
<b>Fund Equity and Other Credits</b>			
Investment in General Fixed Assets	0	0	0
Fund Balance:			
Reserved for Encumbrances	4,011	139	3,550
Reserved for Inventory	1,426	0	0
Reserved for Property Taxes	194,000	0	1,272
Reserved for Textbooks	9,029	0	0
Reserved for Capital Improvements	3,182	0	0
Reserved for Budget Stabilization	28,321	0	0
Unreserved:			
Designated:			
Claims	89,754	0	0
Undesignated	150,909	33,338	18,358
	<b>480,632</b>	<b>33,477</b>	<b>23,180</b>
<b><i>Total Liabilities, Fund Equity and Other Credits</i></b>	<b>\$2,581,386</b>	<b>\$40,699</b>	<b>\$97,473</b>

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Account Groups			
Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)	
\$0	\$0	\$0	\$9,481	
0	0	0	284,727	
0	0	161,186	161,186	
0	0	0	500	
0	0	18,084	115,573	
0	0	0	1,765,871	
15,833	0	0	15,833	
0	0	0	24,201	
0	0	65,850	65,850	
<u>15,833</u>	<u>0</u>	<u>245,120</u>	<u>2,443,222</u>	
0	1,970,603	0	1,970,603	
0	0	0	7,700	
0	0	0	1,426	
0	0	0	195,272	
0	0	0	9,029	
0	0	0	3,182	
0	0	0	28,321	
0	0	0	89,754	
0	0	0	202,605	
<u>0</u>	<u>1,970,603</u>	<u>0</u>	<u>2,507,892</u>	
<u>\$15,833</u>	<u>\$1,970,603</u>	<u>\$245,120</u>	<u>\$4,951,114</u>	

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**Fairport Harbor Exempted Village School District**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Revenues</b>				
Taxes	\$1,957,919	\$0	\$75,844	\$2,033,763
Intergovernmental	1,691,188	68,045	16,535	1,775,768
Interest	25,904	5	0	25,909
Tuition and Fees	16,458	0	0	16,458
Extracurricular Activities	0	17,819	0	17,819
Contributions and Donations	410	2,996	0	3,406
Rentals	650	0	0	650
Miscellaneous	274,321	24,244	0	298,565
<i>Total Revenues</i>	<u>3,966,850</u>	<u>113,109</u>	<u>92,379</u>	<u>4,172,338</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	1,917,782	0	0	1,917,782
Special	90,014	31,975	0	121,989
Vocational	69,180	0	0	69,180
Support Services:				
Pupils	100,401	7,881	0	108,282
Instructional Staff	24,046	13,614	0	37,660
Board of Education	17,182	0	0	17,182
Administration	454,378	9,050	0	463,428
Fiscal	149,358	0	0	149,358
Business	2,600	0	0	2,600
Operation and Maintenance of Plant	511,887	0	0	511,887
Pupil Transportation	88,558	0	0	88,558
Central	24,280	152	0	24,432
Operation of Non-Instructional Services	0	2,869	0	2,869
Extracurricular Activities	102,525	50,763	0	153,288
Capital Outlay	0	0	124,248	124,248
Debt Service:				
Principal Retirement	44,037	0	0	44,037
Interest and Fiscal Charges	11,021	0	0	11,021
<i>Total Expenditures</i>	<u>3,607,249</u>	<u>116,304</u>	<u>124,248</u>	<u>3,847,801</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>359,601</u>	<u>(3,195)</u>	<u>(31,869)</u>	<u>324,537</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	9,787	0	0	9,787
Operating Transfers In	0	5,763	0	5,763
Operating Transfers Out	(4,353)	(1,410)	0	(5,763)
<i>Total Other Financing Sources (Uses)</i>	<u>5,434</u>	<u>4,353</u>	<u>0</u>	<u>9,787</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>365,035</u>	<u>1,158</u>	<u>(31,869)</u>	<u>334,324</u>
<i>Fund Balances Beginning of Year</i>	<u>115,597</u>	<u>32,319</u>	<u>55,049</u>	<u>202,965</u>
<i>Fund Balances End of Year</i>	<u>\$480,632</u>	<u>\$33,477</u>	<u>\$23,180</u>	<u>\$537,289</u>

See accompanying notes to the general purpose financial statements

**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, 1999*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$1,801,668	\$1,797,525	(\$4,143)
Intergovernmental	1,633,633	1,688,825	55,192
Interest	29,831	25,904	(3,927)
Tuition and Fees	49,265	16,458	(32,807)
Extracurricular Activities	0	0	0
Contributions and Donations	101	410	309
Rentals	202	650	448
Miscellaneous	217,523	246,738	29,215
<i>Total Revenues</i>	<u>3,732,223</u>	<u>3,776,510</u>	<u>44,287</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	1,876,850	1,935,242	(58,392)
Special	123,615	97,365	26,250
Vocational	69,146	68,604	542
Support Services:			
Pupils	107,781	99,931	7,850
Instructional Staff	32,494	22,362	10,132
Board of Education	25,393	17,182	8,211
Administration	458,900	466,073	(7,173)
Fiscal	196,977	150,137	46,840
Business	11,520	2,600	8,920
Operation and Maintenance of Plant	462,300	505,355	(43,055)
Pupil Transportaton	81,848	94,205	(12,357)
Central	237	79	158
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	112,885	103,664	9,221
Debt Service:			
Principal Retirement	38,989	44,037	(5,048)
Interest and Fiscal Charges	8,338	8,338	0
<i>Total Expenditures</i>	<u>3,607,273</u>	<u>3,615,174</u>	<u>(7,901)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>124,950</u>	<u>161,336</u>	<u>36,386</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Fixed Assets	637	9,787	9,150
Advances In	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(43,800)	(4,353)	39,447
<i>Total Other Financing Sources (Uses)</i>	<u>(43,163)</u>	<u>5,434</u>	<u>48,597</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>81,787</u>	<u>166,770</u>	<u>84,983</u>
<i>Fund Balances Beginning of Year</i>	<u>335,923</u>	<u>335,923</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>32,195</u>	<u>32,195</u>	<u>0</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$449,905</u>	<u>\$534,888</u>	<u>\$84,983</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$116,394	\$116,394	\$0
26,917	68,045	41,128	0	0	0
31	5	(26)	0	0	0
0	0	0	0	0	0
31,324	17,819	(13,505)	0	0	0
569	2,996	2,427	0	0	0
0	0	0	0	0	0
11,901	24,244	12,343	0	0	0
<u>70,742</u>	<u>113,109</u>	<u>42,367</u>	<u>116,394</u>	<u>116,394</u>	<u>0</u>
0	0	0	0	0	0
43,778	39,491	4,287	0	0	0
0	0	0	0	0	0
13,807	12,003	1,804	0	0	0
14,880	13,614	1,266	0	0	0
0	0	0	0	0	0
5,300	9,050	(3,750)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
152	152	0	0	0	0
636	2,869	(2,233)	0	0	0
34,732	44,281	(9,549)	0	0	0
0	0	0	111,000	111,000	0
0	0	0	5,400	5,380	20
<u>113,285</u>	<u>121,460</u>	<u>(8,175)</u>	<u>116,400</u>	<u>116,380</u>	<u>20</u>
<u>(42,543)</u>	<u>(8,351)</u>	<u>34,192</u>	<u>(6)</u>	<u>14</u>	<u>20</u>
0	0	0	0	0	0
500	0	(500)	0	0	0
1,127	5,763	4,636	0	0	0
0	(1,410)	(1,410)	0	0	0
<u>1,627</u>	<u>4,353</u>	<u>2,726</u>	<u>0</u>	<u>0</u>	<u>0</u>
(40,916)	(3,998)	36,918	(6)	14	20
43,464	43,464	0	1	1	0
994	994	0	0	0	0
<u>\$3,542</u>	<u>\$40,460</u>	<u>\$36,918</u>	<u>(\$5)</u>	<u>\$15</u>	<u>\$20</u>

(continued)

**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 (continued)  
For the Fiscal Year Ended June 30, 1999*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$127,933	\$74,572	(\$53,361)
Intergovernmental	20,176	16,535	(3,641)
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>148,109</u>	<u>91,107</u>	<u>(57,002)</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	20,723	17,912	2,811
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	8,898	(8,898)
Fiscal	1,000	1,080	(80)
Business	0	0	0
Operation and Maintenance of Plant	124,238	99,907	24,331
Pupil Transportaton	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>145,961</u>	<u>127,797</u>	<u>18,164</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,148</u>	<u>(36,690)</u>	<u>(38,838)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>2,148</u>	<u>(36,690)</u>	<u>(38,838)</u>
<i>Fund Balances Beginning of Year</i>	3,360	3,360	0
Prior Year Encumbrances Appropriated	51,690	51,690	0
<i>Fund Balances (Deficit) End of Year</i>	<u>\$57,198</u>	<u>\$18,360</u>	<u>(\$38,838)</u>

See accompanying notes to the general purpose financial statements.

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,045,995	\$1,988,491	(\$57,504)
1,680,726	1,773,405	92,679
29,862	25,909	(3,953)
49,265	16,458	(32,807)
31,324	17,819	(13,505)
670	3,406	2,736
202	650	448
229,424	270,982	41,558
<u>4,067,468</u>	<u>4,097,120</u>	<u>29,652</u>
1,897,573	1,953,154	(55,581)
167,393	136,856	30,537
69,146	68,604	542
121,588	111,934	9,654
47,374	35,976	11,398
25,393	17,182	8,211
464,200	484,021	(19,821)
197,977	151,217	46,760
11,520	2,600	8,920
586,538	605,262	(18,724)
81,848	94,205	(12,357)
389	231	158
636	2,869	(2,233)
147,617	147,945	(328)
149,989	155,037	(5,048)
13,738	13,718	20
<u>3,982,919</u>	<u>3,980,811</u>	<u>2,108</u>
<u>84,549</u>	<u>116,309</u>	<u>31,760</u>
637	9,787	9,150
500	0	(500)
1,127	5,763	4,636
<u>(43,800)</u>	<u>(5,763)</u>	<u>38,037</u>
<u>(41,536)</u>	<u>9,787</u>	<u>51,323</u>
43,013	126,096	83,083
382,748	382,748	0
84,879	84,879	0
<u>\$510,640</u>	<u>\$593,723</u>	<u>\$83,083</u>

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 1 - Description of The School District**

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 14 classified personnel, 40 certified full-time teaching personnel and 3 administrative employees to provide services to 573 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 ensure that the general purpose financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For 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 board 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 four jointly governed organizations, a public entity risk pool, and a claims servicing pool. These organizations are the East Shore Regional Transportation System, the Auburn Career Center, the Lake-Geauga Education Computer Consortium, the Ohio Schools' Council Association, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Lake County Council of Governments Health Care Benefits Program. These organizations are presented in Notes 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.

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**A. Basis Of Presentation - Fund Accounting**

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

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

For financial statement presentation purposes, the various funds of the School District 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 major capital projects) that are legally restricted to expenditure for specified purposes.

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

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

**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 governmental units and/or other funds. These include trust and agency 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 obligations 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 established to account for all fixed assets of the School District.

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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

***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 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 statements of these funds present increases (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 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 year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a 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, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 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 fund and function. Any budgetary modifications 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.



**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit 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 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 statement reflect the amounts in the final amended certificate issued during fiscal year 1999.

***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 is legally enacted by the Board of Education at the fund, function, and object level of expenditures, 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 expenditures 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 of 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, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. 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 the agency fund, consistent with statutory provisions.

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

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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***D. Cash and Cash Equivalents***

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 records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1999, 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 SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company 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, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$25,904 which includes \$6,012 assigned from other School District funds.

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 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 to be 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. Restricted Assets***

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

***F. 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 consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material 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, 1999*

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***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 related assets are reported in the general fixed asset group. All fixed assets are capitalized at cost (or estimated historical value) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not have any infrastructure.

The costs 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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Assets in the general fixed asset account group are not depreciated.

***H. Intergovernmental Revenues***

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement 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. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

**Entitlements**

*General Fund*

State Foundation Program  
State Property Tax Relief

*Special Revenue Funds*

State Foundation Program

**Non-Reimbursable Grants**

*Special Revenue Funds*

Title VI-B  
Title I  
Title VI  
Drug Free Schools  
Educational Management Information System

*Capital Projects Fund*

SchoolNet

**Reimbursable Grants**

*General Fund*

Driver Education Reimbursement

Grants and entitlements amounted to approximately forty-three percent of the School District's governmental fund types' revenue during the 1999 fiscal year.

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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***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 receivable" and "interfund payables."

***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights 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 rates at year end, taking into consideration any limits in the School District' termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated 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, claims and judgements, compensated absences, contractually required pension contribution 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 expendable available financial resources. Payments made more than 60 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.

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

***L. Interfund Transactions***

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

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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

***M. Fund Balance Reserves and Designations***

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Designations represent tentative plans for future use of financial resources. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, textbooks, capital improvements and budget stabilization.

The reserve for property taxes represents 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 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. Memorandum Only - Total Columns***

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 or results of operations 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 - Change in Accounting Policy and Restatement of Balance**

For the fiscal year 1999, the School District has implemented GASB No 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan through Ohio Public Employees deferred compensation plan. On September 1, 1998 Ohio Public Employees created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, the balance of the Ohio Public Employees deferred compensation plan is no longer presented as part of the School District's financial statement.

During fiscal year 1998, compensated absences were understated by \$140,807. The balance of the General Long-Term Obligation Account Group at June 30, 1998 increased from \$158,098 to \$298,905 due to this understatement.

During fiscal year 1998, fixed assets were understated by \$1,944,133. The balance of the General Fixed Assets Account Group at June 30, 1998 increased to \$1,944,133 due to this understatement.

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
For the Fiscal Year Ended June 30, 1999

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting 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 (Non-GAAP Basis) and Actual, All Governmental Fund Types 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
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).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP). Debt service fund resources used to pay both the principal and interest have been allocated accordingly.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$365,035	\$1,158	\$0	(\$31,869)
Net Adjustment for Revenue Accruals	(73,947)	0	0	(1,272)
Revenue for Debt Payment	(116,394)	0	116,394	0
Net Adjustment for Expenditure Accruals	21,373	(4,917)	0	7,348
Principal Retirement	0	0	(111,000)	0
Interest and Fiscal Charges	5,380	0	(5,380)	0
Encumbrances	(34,677)	(239)	0	(10,897)
<b>Budget Basis</b>	<b>\$166,770</b>	<b>(\$3,998)</b>	<b>\$14</b>	<b>(\$36,690)</b>

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
For the Fiscal Year Ended June 30, 1999

**Note 5 - Legal Compliance**

The following accounts had expenditures plus encumbrances in excess of appropriations contrary to Ohio Revised Code Section 5705.41.

Fund/Function/Object	Appropriation	Expenditure	Excess
<b>General Fund</b>			
Current			
<i>Instruction</i>			
<i>Regular</i>			
Salaries	\$1,323,329	\$1,349,405	\$26,076
Purchased Services	133,437	137,132	3,695
Materials and Supplies	7,189	53,195	46,006
Capital Outlay - New	2,345	3,452	1,107
<i>Vocational</i>			
Salaries	51,476	52,851	1,375
Fringed Benefits	12,073	12,205	132
<i>Support Services</i>			
<i>Pupils</i>			
Salaries	65,147	67,430	2,283
Fringe Benefits	12,439	12,505	66
<i>Board of Education</i>			
Salaries	3,860	3,940	80
<i>Administration</i>			
Salaries	276,781	286,455	9,674
Fringe Benefits	78,813	80,901	2,088
Capital Outlay - New	8,630	10,631	2,001
<i>Operation and Maintenance of Plant</i>			
Salaries	196,638	198,720	2,082
Fringe Benefits	89,237	90,120	883
Purchased Services	166,479	205,565	39,086
<i>Pupil Transportation</i>			
Purchased Services	81,674	94,204	12,530
<i>Extracurricular Activities</i>			
<i>School and Public Service Co-Curricular</i>			
Salaries	11,050	13,276	2,226
<i>Debt</i>			
Principal Retirement	38,989	44,037	5,048

**Fairport Harbor Exempted Village School District**

*Notes to the General Purpose Financial Statements*

*For the Fiscal Year Ended June 30, 1999*

Fund/Function/Object	Appropriation	Expenditure	Excess
<b>Scholarship</b>			
Non-Instructional Services			
<i>Community Services</i>			
Other	0	\$2,500	\$2,500
<i>Other Financing Uses</i>			
Transfers out	0	1,410	1,410
<b>Public School Support</b>			
Current			
<i>Support Services</i>			
<i>Pupils</i>			
Purchased Services	0	110	110
Materials and Supplies	402	850	448
Athletics			
<i>Extracurricular Activities</i>			
<i>Sport Orientated</i>			
Salaries	3,743	8,049	4,306
Materials and Supplies	14,234	19,462	5,228
Other	2,755	2,878	123
Capital Outlay - New	94	2,083	1,989
MIS			
Current			
<i>Support Services</i>			
<i>Administration</i>			
Purchased Services	1,250	5,000	3,750
Title I			
Current			
<i>Instruction</i>			
<i>Special</i>			
Purchased Services	1,000	1,095	95
<b>Permanent Improvement</b>			
Current			
<i>Support Services</i>			
<i>Administration</i>			
Capital Outlay - New	0	8,898	8,898
<i>Fiscal</i>			
Other	1,000	1,080	80
<i>Operation and Maintenance of Plant</i>			
Materials and Supplies	0	3,137	3,137



**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

The following funds had total appropriations in excess of estimated resources plus carryover balances contrary to Section 5705.39, Revised Code:

Fund	Appropriations	Estimated Resources Plus Carryover Balances	Excess
<b>Special Revenue</b>			
Teacher Development	\$7,430	\$7,033	\$397
Title VI-B	12,120	4,852	7,268
Title I	43,179	0	43,179
<b>Debt Service</b>			
Bond Retirement	116,400	116,395	5

In order to address these budgetary violations management intends to more closely monitor the budgetary accounts.

**Note 6 - 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 or deposit accounts including passbook accounts.

Protection of the 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.

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;

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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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; and
6. The State Treasurer's investment pool (STAROhio).

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

At June 30, 1999, the School District's general fund had a balance of \$113,955 with Lake County Council of Governments Health Care Benefits Program, a claims servicing pool (See Note 18). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB No. 3. The classification of cash and cash equivalents and investments for the Lake County Council of Governments Health Care Benefits Program Self Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Mentor City School District. To obtain financial information, write to Mr. James Metz, Treasurer, Mentor City School District, 6451 Center Street, Mentor, Ohio 44060.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$262,814 and the bank balance was \$323,795. \$100,000 of the bank balance was covered by federal depository insurance; and \$223,795 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject to School District to a successful claim by the FDIC.

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
For the Fiscal Year Ended June 30, 1999

**Investments** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty'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 counterparty, or by its trust department or agent but not in the School District's name. The School District invests in STAROhio, the State Treasurer's Investment Pool, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
Investment in STAROhio	<u>\$392,553</u>

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$769,322	\$0
Money Held by Fiscal Agent	(113,955)	
Investments which are part of a cash management pool:		
STAROhio	(392,553)	392,553
GASB Statement No. 3	<u>\$262,814</u>	<u>\$392,553</u>

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

1999 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second-Half Collections		1999 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$36,224,850	84.84%	\$37,289,820	81.79%
Public Utility Personal	2,632,520	6.16	3,835,850	8.41
Tangible Personal Property	3,842,332	9.00	4,466,706	9.80
	<u>\$42,699,702</u>	<u>100.00%</u>	<u>\$45,592,376</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$55.72		\$57.45	

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, 1999, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Fairport Harbor Exempted Village School District. 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 as of June 30, 1999. Although total property tax collections for the next fiscal year are 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, 1999, was \$195,272. \$194,000 was available to the general fund and \$1,272 was available to the capital projects fund.

**Note 8 - Receivables**

Receivables at June 30, 1999, consisted of taxes, interfund, and intergovernmental grants. 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.

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

Intergovernmental receivables consisted of \$3,000 in the general fund received from Cleveland State University.

**Note 9- Fixed Assets**

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance 7/1/98	Additions	Deletions	Balance 6/30/99
Land	\$1,416,336	\$0	\$0	\$1,416,336
Buildings	17,300	0	0	17,300
Furniture and Equipment	510,497	26,470	0	536,967
<b>Total</b>	<b>\$1,944,133</b>	<b>\$26,470</b>	<b>\$0</b>	<b>\$1,970,603</b>

**Note 10- 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 1999, 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 \$250 deductible for comprehensive and \$500 deductible for collision. Fleet liability has a combined single limit of \$1,000,000.

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 elected to provide medical coverage through a self insured program. The School District uses the general fund to account for and finance its uninsured risks of loss in this program. The claims are serviced through the Lake County Council of Governments Health Care Benefits Program. The Lake County Council of Governments Health Care Benefits Program has stop loss coverage of 110% of expected claims. The claims liability of \$24,201 reported in the general fund at June 30, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
For the Fiscal Year Ended June 30, 1999

other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 1998 and 1999 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1998	\$33,780	\$277,988	\$278,367	\$33,401
1999	33,401	238,088	247,288	24,201

**C. Workers Compensation**

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a public entity risk 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 workers' 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 percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" 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 firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**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 defined benefit pension plan. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$30,309, \$39,012 and \$47,693, respectively; 58.9 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$12,455 representing the unpaid

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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contribution for fiscal year 1999, 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. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations 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, 1999, 1998, and 1997 were \$110,562, \$188,192 and \$207,144, respectively; 82.61 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$19,232 represents the unpaid contribution for fiscal year 1999 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' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$147,416 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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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 basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$28,342.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

### **Note 13 -Other Employee Benefits**

#### ***A. Compensated Absences***

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to classified employees for 100 percent of the total sick leave accumulation, up to a maximum accumulation of 100 days and for one fourth of the remaining accumulated sick leave with a maximum accumulation of 150 days. Upon retirement, payment is made to teachers and administrators for 100 percent of total sick leave accumulation, with a maximum accumulation of 60 days.

#### ***B. Life Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company, in the amount of \$50,000 for all employees based on full time employment. Part time certified employees are provided a pro-rated amount of life insurance based on the percentage employed over 50 percent. Classified employees working 10 to less than 15 hours per week are provided \$20,000 in life insurance and classified employees working 15 to less than 32.5 hours per week are provided \$30,000 in life insurance.



**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

**Note 14 - Notes Payable**

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

	Balance June 30, 1998	Additions	Deletions	Balance June 30, 1999
<b>General Fund</b>				
1998 4.86%				
Tax Anticipation Note	\$111,000	\$0	\$111,000	\$0

**Note 15 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 1999, were as follows:

	Outstanding June 30, 1998	Additions	Deletions	Outstanding June 30, 1999
Energy Conservation Loan	\$109,887	\$0	\$44,037	\$65,850
Compensated Absences	160,922	264	0	161,186
Intergovernmental Payable	28,096	18,084	28,096	18,084
<i>Total General Long-Term Obligations</i>	<u>\$298,905</u>	<u>\$18,348</u>	<u>\$72,133</u>	<u>\$245,120</u>

The energy conservation loan will be paid from general fund revenues. Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

The School District's overall legal debt margin was \$4,037,464 with an unvoted debt margin of \$45,592 at June 30, 1999. Principal and interest requirement to retire the loan outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$48,889	\$2,318	\$51,207
2001	16,961	58	17,019
Total	<u>\$65,850</u>	<u>\$2,376</u>	<u>\$68,226</u>

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 16 - Jointly Governed Organizations**

***A. 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.

***B. Auburn Career Center***

The Auburn Career Center is a joint vocational school district which 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.

***C. Lake-Geauga Education Computer Consortium***

The Lake-Geauga Education Computer Consortium is a jointly governed organization among eighteen school districts that was formed October 14, 1981. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The eighteen member board of directors consists of the superintendent from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the board. The board exercises total control over the operation of the consortium including budgeting, appropriating, contracting and designating management. All consortium revenues are generated from charges for services and State funding. To obtain financial information write to the Lake-Geauga Education Computer Consortium, 8140 Auburn Road, Painesville, Ohio, 44077.

***D. Ohio Schools Council Association***

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 1999, the School District paid \$500 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford Heights, Ohio 44146.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non profit corporation with a self appointing board, issued \$119,140,000 in debt to prepurchase 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, the School District is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

**Note 17 - Public Entity Risk Pool**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing 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. The Executive Director 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 - Claims Servicing Pool**

The School District participates in Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program, a claims servicing pool, comprised of eleven members. 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. All participating members retain their risk and the Plan acts as the claims servicing agent.

**Note 19 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement 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, 1999.

**Note 20 - State 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 Ohio

**Fairport Harbor Exempted Village School District**

*Notes to the General Purpose Financial Statements*

*For the Fiscal Year Ended June 30, 1999*

General Assembly 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, 1999, the School District received \$1,382,880 school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly 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 has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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 and on its financial operations.

**Note 21 - Set Asides**

The School District is required by State statute to annually set aside in the general fund an amount 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 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 change in the year-end set aside amounts for textbooks and instructional materials, capital improvements, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside balance carried forward July 1, 1998	\$0	\$0	\$28,321	\$28,321
Current year set-aside requirement	55,704	55,704	0	111,408
Qualifying expenditures	(46,675)	(52,522)	0	(99,197)
Cash Balance Carried Forward to FY 1999	<u>\$9,029</u>	<u>\$3,182</u>	<u>\$28,321</u>	<u>\$40,532</u>

**Note 22 - Year 2000 Information**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations.

**Fairport Harbor Exempted Village School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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Fairport Harbor Exempted Village School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and grant reporting.

The Northwest Ohio Computer Association State Software Development Team has indicated that:

“The payroll processing software supported with OCEN State Software is compliant with the Year 2000.”

“The accounting software supported with the OCEN State Software is compliant with the Year 2000.”

“The education management information system software supported with OCEN State Software is compliant with the Year 2000.”

“The equipment inventory and vehicle inventory system software supported with the OCEN State Software will be compliant with the Year 2000, beginning with the March 1999 release of SAAS V2.”

Lake County collects property taxes for distribution to the Fairport Harbor Exempted Village School District. Lake County is responsible for remediating the tax collection system.

The State of Ohio distributes a substantial sum of money to the School District in the form of “Foundation” payments. Further, the State processes a significant amount of financial and non-financial information about the School District through the State’s Education Management and Information System (EMIS). The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District’s remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.



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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 the Fairport Harbor Exempted Village School District, Lake County, Ohio (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated December 17, 1999, in which we noted the District changed its reporting of the deferred compensation plan. We conducted our audit in accordance with generally accepted auditing standards 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 audit 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 immaterial instances of non-compliance that we have reported to management of the District in a separate letter dated December 17, 1999.

### Internal Control Over Financial Reporting

In planning and performing our audit, 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 17, 1999.

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

A handwritten signature in black ink, appearing to read "Jim Petro", is written over the printed name and title.

**JIM PETRO**  
Auditor of State

December 17, 1999



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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.

By: *Susan Babbitt*

Date: **JAN 11 2000**