FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT LAKE COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

James G. Zupka, CPA, Inc. Certified Public Accountants



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

We have reviewed the Independent Auditor's Report of the Fairport Harbor Exempted Village School District, Lake County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost Auditor of State

May 7, 2015



FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT LAKE COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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JAMES G. ZUPKA, C.P.A., INC.

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education Fairport Harbor Exempted Village School District Fairport Harbor, Ohio The Honorable Dave Yost Auditor of State State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Fairport Harbor Exempted Village School District, Lake County, Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash accounting basis described in Note 2; this includes determining that the cash accounting basis is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fairport Harbor Exempted Village School District, Ohio's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Fairport Harbor Exempted Village School District, Ohio, as of June 30, 2014, and the respective changes in cash financial position, and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the basis of accounting described in Note 2.

Accounting Basis

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fairport Harbor Exempted Village School District, Ohio's basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, and comparison of total cost and net cost of services. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. We also applied certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the Untied States of America. In our opinion, these tables and the Schedule are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in the Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2015, on our consideration of the Fairport Harbor Exempted Village School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fairport Harbor Exempted Village School District, Ohio's internal control over financial reporting and compliance.

James G. Zupka, CPA, President, DN: cn-James G. Zupka, CPA, President, DN: cn-James G. Zupka, CPA, President, DN: cn-James G. Zupka, CPA, Irc, ou-Accounting, email-gacpase-boglobal net, c- LuS Dates CS. 2016. 10.05.21

James G. Zupka, CPA, Inc. Certified Public Accountants

January 15, 2015

For the Fiscal Year Ended June 30, 2014

The discussion and analysis of the Fairport Harbor Exempted Village School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2014, within the limitation of the District's cash basis accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2014 are:

- Net position of governmental activities increased by \$270,391.
- General receipts accounted for \$4,348,108 of all receipts or 69.2 percent of all receipts. Program specific receipts in the form of charges for services and operating grants and contributions accounted for \$1,935,547 or 30.8 percent of total receipts of \$6,283,655.
- The District had \$6,013,264 in disbursements related to governmental activities; \$1,935,547 of these disbursements was offset by program specific charges for services and operating grants and contributions.
- The General Fund had \$5,505,731 (includes other financing sources) in receipts and \$5,281,813 (includes other financing uses) in disbursements. The General Fund's balance increased to \$829,211 from \$605,293.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements based on the District's cash basis of accounting. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund is the most significant fund.

For the Fiscal Year Ended June 30, 2014

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and Statement of Activities answer this question, within the limitation of the District's cash basis accounting. These statements use the cash basis method of accounting.

These two statements report the District's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished, within the limitation of the District's cash basis accounting. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting receipts growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and Statement of Activities, the District only reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, supporting services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 9 of the financial statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General Fund.

<u>Governmental Funds</u> Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis method of accounting. The governmental fund statements provide a detailed *view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance educational programs.

For the Fiscal Year Ended June 30, 2014

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013:

	Governmental						
	Activities						
		2014	2013				
ASSETS							
Equity in Pooled Cash and Cash Equivalents	\$	706,118	\$	435,727			
Total Assets		706,118		435,727			
NET POSITION							
Restricted for:							
Capital Projects		30,569		59,163			
Set Asides		53,587		67,117			
Unrestricted		621,962		309,447			
Total Net Position	\$	706,118	\$	435,727			

Total assets increased by \$270,391, which is solely related to increased cash and cash equivalents. Net position of the District increased by \$270,391.

For the Fiscal Year Ended June 30, 2014

Table 2 shows the changes in net position for fiscal year 2014 and also presents a comparative analysis to fiscal year 2013 for governmental activities.

Table 2	-	Change	in	Net	P	Position
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	Governmental Activities				
	2014	2013			
Receipts					
Program Receipts					
Charges for Services	\$ 1,141,568	\$ 931,888			
Operating Grants and Contributions	793,979	143,294			
Total Program Receipts	1,935,547	1,075,182			
C ID :					
General Receipts					
Property and Other Local Taxes levied for:	2 570 592	2754295			
General Purposes Grants & Entitlements not	2,579,582	2,754,385			
	1 654 107	1 552 200			
restricted to specific programs Investment Income	1,654,197 43	1,552,300 248			
All Other Revenues					
	114,286 0	118,733			
General Obligation Notes Issued	4,348,108	4 505 666			
Total General Receipts Total Receipts	6,283,655	4,505,666 5,580,848			
Total Receipts	0,283,033	3,300,040			
Disbursements_					
Instruction:					
Regular	2,523,394	2,482,389			
Special	747,397	641,636			
Adult/Continuing	0	6,646			
Other	280,987	263,461			
Supporting Services:					
Pupils	483,410	274,885			
Instructional Staff	183,056	104,311			
Board of Education	25,430	11,812			
Administration	509,644	450,046			
Fiscal Services	128,929	198,107			
Business	3,096	27,788			
Operation and Maintenance of Plant	704,656	555,348			
Pupil Transportation	22,491	14,956			
Central	36,605	15,972			
Operation of Non-Instructional Services:					
Community Services	20,053	21,658			
Extracurricular Activities	261,325	238,530			
Debt Service:					
Principal Retirement	80,000	120,000			
Interest and Fiscal Charges	2,791	5,370			
Total Disbursements	6,013,264	5,432,915			
Change in Net Position	270,391	147,933			
Net Position at July 1	435,727	287,794			
Net Position at June 30	\$ 706,118	\$ 435,727			

For the Fiscal Year Ended June 30, 2014

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall receipts generated by the levy will not increase as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and its value was increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of receipts growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 41.1 percent of receipts for governmental activities for the District in fiscal year 2014.

Instruction comprises 59.1 percent of governmental program disbursements, and increased by \$157,646 as a result of higher special education costs. Supporting Services - Operation and Maintenance of Plant increased \$149,308 due to increased costs in utilities, insurance and general contract maintenance. Supporting Services - Pupils increased \$208,525 as a result of disbursements relating to the Race to the Top Grant.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. A comparative analysis of 2014 to 2013 is presented.

Table 3 - Comparison of Total Cost and Net Cost of Services

	Total Cost	of Se	rvices	Net Cost o	f Services
	2014		2013	2014	2013
Instruction:					
Regular	\$ 2,523,394	\$	2,482,389	\$ (1,597,594)	\$ (1,771,920)
Special	747,397		641,636	(227,024)	(457,998)
Vocational	0		6,646	0	(6,646)
Other	280,987		263,461	(280,987)	(263,461)
Supporting Services:					
Pupils	483,410		274,885	(200,118)	(196,212)
Instructional Staff	183,056		104,311	(28,651)	(74,457)
Board of Education	25,430		11,812	(25,430)	(11,812)
Administration	509,644		450,046	(509,644)	(450,046)
Fiscal Services	128,929		198,107	(128,929)	(198,107)
Business	3,096		27,788	(3,096)	(27,788)
Operation and Maintenance of					
Plant	704,656		555,348	(704,656)	(555,348)
Pupil Transportation	22,491		14,956	10,963	(10,676)
Central	36,605		15,972	(36,605)	(15,972)
Operation of Non-Instructional Services:					
Community Services	20,053		21,658	(20,053)	(21,658)
Extracurricular Activities	261,325		238,530	(243,102)	(170,262)
Debt Service:					
Principal Retirement	80,000		120,000	(80,000)	(120,000)
Interest and Fiscal Charges	2,791		5,370	(2,791)	(5,370)
Total Governmental Activities	\$ 6,013,264	\$	5,432,915	\$ (4,077,717)	\$ (4,357,733)

For the Fiscal Year Ended June 30, 2014

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$6,338,655 (includes other financing sources) and disbursements of \$6,068,264 (includes other financing uses). The net change in fund balance for the year was most significant in the General Fund, an increase of \$223,918. This increase was a result of increase in tuition collected during the year.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, the original budget basis receipts of \$5,496,992 (including other financing sources) was increased in the final budget basis receipts to \$6,250,012. During fiscal year 2014, the District's final budget basis receipts for property tax receipts was \$2,935,560.

The original appropriations of \$5,200,000 (including other financing uses) was increased in the final budget basis appropriations to \$5,600,000.

Debt Administration

Debt

At June 30, 2014, the District had fully retired HB 264 notes. Also see Note 12 to the basic financial statements for more detail.

Economic Factors

The District is dependent on its local taxpayers. Based on the current financial information, the budget cuts enacted for fiscal year 2015, and the ability to maintain current program and staffing levels, the District will be able to maintain financial stability.

Based on these factors, the Board of Education and administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District, as well as careful planning to ensure that significant outlays may be made in the future to address the District's facility's needs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Lew Galante, Treasurer at Fairport Harbor Exempted Village School District, 329 Vine Street, Fairport Harbor, Ohio 44077 or email at lew.galante@fairportharborschools.org

Statement of Net Position – Cash Basis

June 30, 2014

	Governmental Activities			
ASSETS	—			
Equity in Pooled Cash and Cash Equivalents Total Assets	\$ 706,118 706,118			
NEW DOCUMENT				
NET POSITION Restricted for:				
Capital Projects	30,569			
Set Asides	53,587			
Unrestricted	621,962			
Total Net Position	\$ 706,118			

Statement of Activities - Cash Basis

For the Fiscal Year Ended June 30, 2014

Instruction: Regular \$ 2,523,394 \$ 925,800 \$ 0 \$ (1,597,594)		Dis	Cash sbursements	C	Program Ca harges for Services	Ope: Gran	eipts rating ats and abutions	C	(Disbursements) Receipts and hanges in Net Position Governmental Activities
Regular \$ 2,523,394 \$ 925,800 \$ 0 \$ (1,597,594) Special 747,397 193,751 326,622 (227,024) Other 280,987 0 0 (280,987) Supporting Services: Pupils 483,410 2,197 281,095 (200,118) Instructional Staff 183,056 1,597 152,808 (28,651) Board of Education 25,430 0 0 (25,430) Administration 509,644 0 0 (509,644) Fiscal Services 128,929 0 0 (128,929) Business 3,096 0 0 (704,656) Operation and Maintenance of Plant 704,656 0 0 (704,656) Pupil Transportation 22,491 0 33,454 10,963 Central 36,605 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (20,33) Extracurricular Activities 8,000 0 0	Governmental Activities								
Special 747,397 193,751 326,622 (227,024) Other 280,987 0 0 (280,987) Supporting Services: 8 280,987 0 0 (280,987) Supporting Services: 9 0 0 (200,118) 11,597 152,808 (28,651) Board of Education 25,430 0 0 0 (25,430) Administration 509,644 0 0 (509,644) Fiscal Services 128,929 0 0 (128,929) Business 3,096 0 0 (30,966) Operation and Maintenance of Plant 704,656 0 0 (704,656) Pupil Transportation 22,491 0 33,454 10,963 Central 36,605 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 0 (2,791) Total	Instruction:								
Other 280,987 0 0 (280,987) Supporting Services: 2 3483,410 2,197 281,095 (200,118) Instructional Staff 183,056 1,597 152,808 (28,651) Board of Education 25,430 0 0 (25,430) Administration 509,644 0 0 (509,644) Fiscal Services 128,929 0 0 (128,929) Business 3,096 0 0 (30,966) Operation and Maintenance of Plant 704,656 0 0 (704,656) Pupil Transportation 22,491 0 33,454 10,963 Central 36,605 0 0 (36,605) Operation of Non- Instructional Services: 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,	Regular	\$	2,523,394	\$	925,800	\$	0	\$	(1,597,594)
Supporting Services: Pupils 483,410 2,197 281,095 (200,118) Instructional Staff 183,056 1,597 152,808 (28,651) Board of Education 25,430 0 0 (25,430) Administration 509,644 0 0 (509,644) Fiscal Services 128,929 0 0 (128,929) Business 3,096 0 0 (30,96) Operation and Maintenance of Plant 704,656 0 0 (704,656) Pupil Transportation 22,491 0 33,454 10,963 Central 36,605 0 0 (36,605) Operation of Non-Instructional Services: 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total 6eneral Receipts	Special		747,397		193,751	32	26,622		(227,024)
Pupils 483,410 2,197 281,095 (200,118) Instructional Staff 183,056 1,597 152,808 (28,651) Board of Education 25,430 0 0 (25,430) Administration 509,644 0 0 (509,644) Fiscal Services 128,929 0 0 (128,929) Business 3,096 0 0 (30,96) Operation and Maintenance of Plant 704,656 0 0 (704,656) Pupil Transportation 22,491 0 33,454 10,963 Central 36,605 0 0 (36,605) Operation of Non-Instructional Services: 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 0 (2,791) Total General Receipts	Other		280,987		0		0		(280,987)
Instructional Staff 183,056 1,597 152,808 (28,651) Board of Education 25,430 0 0 (25,430) Administration 509,644 0 0 (509,644) Fiscal Services 128,929 0 0 (128,929) Business 3,096 0 0 (30,96) Operation and Maintenance of Plant 704,656 0 0 (704,656) Pupil Transportation 22,491 0 33,454 10,963 Central 36,605 0 0 (36,605) Operation of Non-Instructional Services: 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total \$6,013,264 \$1,141,568 \$793,979 (4,077,717) General Receipts 2,579,582	Supporting Services:								
Board of Education 25,430 0 0 (25,430) Administration 509,644 0 0 (509,644) Fiscal Services 128,929 0 0 (128,929) Business 3,096 0 0 (3,096) Operation and Maintenance of Plant 704,656 0 0 (704,656) Pupil Transportation 22,491 0 33,454 10,963 Central 36,605 0 0 (36,605) Operation of Non-Instructional Services: 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total \$6,013,264 \$1,141,568 \$793,979 (4,077,717) General Receipts 2,579,582 Grants & Entitlements not restricted to specific programs 1,654,197	Pupils		483,410		2,197	28	31,095		(200,118)
Administration 509,644 0 0 (509,644) Fiscal Services 128,929 0 0 (128,929) Business 3,096 0 0 (3,096) Operation and Maintenance of Plant 704,656 0 0 (704,656) Pupil Transportation 22,491 0 33,454 10,963 Central 36,605 0 0 (36,605) Operation of Non-Instructional Services: 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: 2 791 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (27,91) Total \$6,013,264 \$1,141,568 \$793,979 (4,077,717) General Receipts Froperty and Other Local Taxes levied for: 2,579,582 Grants & Entitlements not restricted to specific programs 1,654,197 Investment Income 4 4 4,348	Instructional Staff		183,056		1,597	15	52,808		(28,651)
Fiscal Services 128,929 0 0 (128,929) Business 3,096 0 0 3,096) Operation and Maintenance of Plant 704,656 0 0 (704,656) Pupil Transportation 22,491 0 33,454 10,963 Central 36,605 0 0 (36,605) Operation of Non-Instructional Services: 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total \$6,013,264 \$1,141,568 \$793,979 (4,077,717) General Receipts Froperty and Other Local Taxes levied for: General Purposes 2,579,582 Grants & Entitlements not restricted to specific programs 1,654,197 Investment Income 43 43 4,348,108 Change in Net Position 270	Board of Education		25,430		0		0		(25,430)
Business 3,096 0 0 (3,096) Operation and Maintenance of Plant 704,656 0 0 (704,656) Pupil Transportation 22,491 0 33,454 10,963 Central 36,605 0 0 (36,605) Operation of Non-Instructional Services: 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total \$6,013,264 \$1,141,568 \$793,979 (4,077,717) General Receipts Frants & Entitlements not restricted 1 1,654,197 Investment Income 43 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position - Beginning of Year 435,727	Administration		509,644		0		0		(509,644)
Operation and Maintenance of Plant 704,656 0 0 (704,656) Pupil Transportation 22,491 0 33,454 10,963 Central 36,605 0 0 (36,605) Operation of Non-Instructional Services: 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: 2 18,223 0 (80,000) Debt Service: 2 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total \$6,013,264 \$1,141,568 \$793,979 (4,077,717) General Receipts Property and Other Local Taxes levied for: 2,579,582 Grants & Entitlements not restricted to specific programs 1,654,197 Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391	Fiscal Services		128,929		0		0		(128,929)
Pupil Transportation 22,491 0 33,454 10,963 Central 36,605 0 0 (36,605) Operation of Non-Instructional Services: 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total \$6,013,264 \$1,141,568 \$793,979 (4,077,717) General Receipts Property and Other Local Taxes levied for: General Purposes 2,579,582 Grants & Entitlements not restricted to specific programs 1,654,197 Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391	Business		3,096		0		0		(3,096)
Central 36,605 0 0 (36,605) Operation of Non-Instructional Services: 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total \$6,013,264 \$1,141,568 \$793,979 (4,077,717) General Receipts Property and Other Local Taxes levied for: General Purposes Grants & Entitlements not restricted to specific programs 1,654,197 Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391	Operation and Maintenance of Plant		704,656		0		0		(704,656)
Operation of Non-Instructional Services: 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total \$6,013,264 \$1,141,568 \$793,979 (4,077,717) General Receipts Property and Other Local Taxes levied for: General Purposes 2,579,582 Grants & Entitlements not restricted to specific programs 1,654,197 Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391 Net Position - Beginning of Year 435,727	Pupil Transportation		22,491		0	3	3,454		10,963
Community Services 20,053 0 0 (20,053) Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total \$6,013,264 \$1,141,568 \$793,979 (4,077,717) General Receipts Property and Other Local Taxes levied for: General Purposes 2,579,582 Grants & Entitlements not restricted to specific programs 1,654,197 Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391 Net Position - Beginning of Year 435,727	Central		36,605		0		0		(36,605)
Extracurricular Activities 261,325 18,223 0 (243,102) Debt Service: Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total General Receipts Property and Other Local Taxes levied for: General Purposes 2,579,582 Grants & Entitlements not restricted to specific programs 1,654,197 Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391 Net Position - Beginning of Year 435,727	Operation of Non-Instructional Services:								
Debt Service: Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total \$ 6,013,264 \$1,141,568 \$ 793,979 (4,077,717) General Receipts Property and Other Local Taxes levied for: General Purposes 2,579,582 Grants & Entitlements not restricted to specific programs 1,654,197 Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391 Net Position - Beginning of Year 435,727	Community Services		20,053		0		0		(20,053)
Principal Retirement 80,000 0 0 (80,000) Interest and Fiscal Charges 2,791 0 0 (2,791) Total \$ 6,013,264 \$1,141,568 \$ 793,979 (4,077,717) General Receipts Property and Other Local Taxes levied for: General Purposes 2,579,582 Grants & Entitlements not restricted 1,654,197 Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391 Net Position - Beginning of Year 435,727	Extracurricular Activities		261,325		18,223		0		(243,102)
Interest and Fiscal Charges 2,791 0 0 (2,791)	Debt Service:								
Total \$ 6,013,264 \$1,141,568 \$ 793,979 (4,077,717) General Receipts Property and Other Local Taxes levied for: General Purposes 2,579,582 Grants & Entitlements not restricted 1,654,197 Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391 Net Position - Beginning of Year 435,727	Principal Retirement		80,000		0		0		(80,000)
General Receipts Property and Other Local Taxes levied for: General Purposes 2,579,582 Grants & Entitlements not restricted to specific programs 1,654,197 Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391 Net Position - Beginning of Year 435,727	Interest and Fiscal Charges		2,791		0		0		(2,791)
Property and Other Local Taxes levied for: General Purposes 2,579,582 Grants & Entitlements not restricted to specific programs 1,654,197 Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391 Net Position - Beginning of Year 435,727	Total	\$	6,013,264	\$	1,141,568	\$ 79	3,979		(4,077,717)
to specific programs 1,654,197 Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391 Net Position - Beginning of Year 435,727		Pro Ge	perty and Other eneral Purposes			ed for:			2,579,582
Investment Income 43 All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391 Net Position - Beginning of Year 435,727									1,654,197
All Other Revenues 114,286 Total General Receipts 4,348,108 Change in Net Position 270,391 Net Position - Beginning of Year 435,727				_					
Total General Receipts4,348,108Change in Net Position270,391Net Position - Beginning of Year435,727									
Change in Net Position 270,391 Net Position - Beginning of Year 435,727		Tot	al General Re	ceip	ts				
				_					
		Net	Position - Begi	nning	of Year				435.727
			_	_				\$	706,118

Statement of Assets and Fund Balances - Cash Basis Governmental Funds June 30, 2014

	(General Fund	Gov	Other vernmental Funds	Gov	Total vernmental Funds
ASSETS		I dilu		I tillos		
Equity in Pooled Cash and Cash Equivalents	\$	829,211	\$	(124,008)	\$	705,203
Total Assets	\$	829,211	\$	(124,008)	\$	705,203
Fund Balances						
Restricted for						
Data Communication	\$	0	\$	11,388	\$	11,388
Special Education		0		1,541		1,541
Disadvantaged Children		0		24,569		24,569
Drug Abuse Education		0		1,800		1,800
Teacher Development		0		38		38
Capital Improvements		0		30,569		30,569
Other Grants		0		33,010		33,010
Set Aside Balances		53,587		0		53,587
Assigned to						
Fiscal Year 2015 Appropriations		108,770		0		108,770
Public School Support		219		0		219
Instructional Activities		10,356		0		10,356
Supporting Services		84,955		0		84,955
Extracurricular Activities		13,520		0		13,520
Capital Outlays		0		0		0
Unassigned (Deficit)		557,804		(226,923)		330,881
Total Fund Balances	\$	829,211	\$	(124,008)	\$	705,203

Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis Governmental Funds For the Fiscal Year Ended June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Receipts			
Taxes	\$ 2,579,582	\$ 0	\$ 2,579,582
Intergovernmental	1,654,197	793,979	2,448,176
Interest	43	0	43
Tuition and Fees	1,118,733	0	1,118,733
Extracurricular Activity Fees	3,794	19,041	22,835
Miscellaneous	94,382	19,904	114,286
Total Receipts	5,450,731	832,924	6,283,655
<u>Disbursements</u>			
Current:			
Instruction:			
Regular	2,522,551	843	2,523,394
Special	529,408	217,989	747,397
Other	280,987	0	280,987
Supporting Services:			
Pupils	233,975	249,435	483,410
Instructional Staff	49,247	133,809	183,056
Board of Education	25,430	0	25,430
Administration	509,644	0	509,644
Fiscal Services	128,929	0	128,929
Business	3,096	0	3,096
Operation and Maintenance of Plant Services	676,062	28,594	704,656
Pupil Transportation	361	22,130	22,491
Central	31,605	5,000	36,605
Operation of Non-Instructional Services:			
Community Services	20,053	0	20,053
Extracurricular Activities	187,674	73,651	261,325
Debt Service:			
Principal Retirement	80,000	0	80,000
Interest and Fiscal Charges	2,791	0	2,791
Total Disbursements	5,281,813	731,451	6,013,264
Excess of Receipts Over Disbursements	168,918	101,473	270,391
Other Financing Sources (Uses)			
Advances In	55,000	0	55,000
(Advances Out)	0	(55,000)	(55,000)
Total Other Financing Sources (Uses)	55,000	(55,000)	0
Net Change in Fund Balance	223,918	46,473	270,391
Beginning Fund Balance	605,293	(170,481)	434,812
Ending Fund Balance	\$ 829,211	\$ (124,008)	\$ 705,203

Statement of Receipts, Disbursements and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – General Fund For the Fiscal Year Ended June 30, 2014

				Variance with Final Budget
	Budgeted Original	d Amounts Final	Actual	Positive (Negative)
Receipts	Original	<u> </u>	Actual	(Negative)
Taxes	\$2,579,582	\$ 2,935,560	\$ 2,579,582	\$ (355,978)
Intergovernmental	1,654,197	1,882,474	1,654,197	(228,277)
Interest	43	49	43	(6)
Tuition and Fees	1,116,946	1,273,116	1,118,733	(154,383)
Miscellaneous	91,224	103,813	91,224	(12,589)
Total Receipts	5,441,992	6,195,012	5,443,779	(751,233)
<u>Disbursements</u>				
Current:				
Instruction:				
Regular	2,493,619	2,685,432	2,528,691	156,741
Special	526,061	566,527	533,624	32,903
Other	277,998	299,382	280,987	18,395
Supporting Services:				
Pupils	212,024	228,334	230,805	(2,471)
Instructional Staff	47,014	50,631	48,038	2,593
Board of Education	25,159	27,095	25,655	1,440
Administration	493,964	531,962	524,181	7,781
Fiscal Services	127,643	137,462	139,103	(1,641)
Business	2,853	3,073	3,096	(23)
Operation and Maintenance of Plant Services	667,686	719,047	679,703	39,344
Pupil Transportation	357	385	55,361	(54,976)
Central	31,269	33,674	31,605	2,069
Operation of Non-Instructional Services:				
Community Services	19,840	21,366	20,053	1,313
Extracurricular Activities	192,603	207,419	201,194	6,225
Debt Service:				
Principal Retirement	79,149	85,237	80,000	5,237
Interest and Fiscal Charges	2,761	2,974	2,791	183
Total Disbursements	5,200,000	5,600,000	5,384,887	215,113
Excess of Receipts Over(Under) Disbursments	241,992	595,012	58,892	(536,120)
Other Financing Sources				
Advances In	55,000	55,000	55,000	0
Total Other Financing Source	55,000	55,000	55,000	0
Net Change in Fund Balance	296,992	650,012	113,892	(536,120)
Fund Balance - Beginning of Year	477,300	477,300	477,300	0
Prior Year Encumbrances Appropriated	128,969	128,969	128,969	0
Fund Balance - End of Year	\$ 903,261	\$ 1,256,281	\$ 720,161	\$ (536,120)

Statement of Fund Net Position – Cash Basis Proprietary Fund June 30, 2014

	Acti	rnmental ivities - ternal		
	Service Fund			
ASSETS				
Equity in Pooled Cash and Cash Equivalents	\$	915		
Total Assets		915		
NET POSITION				
Unrestricted		915		
Total Net Position	\$	915		
See accompanying notes to the basic financial statements.				

Statement of Cash Receipts, Disbursements and Changes in Fund Net Position – Cash Basis **Proprietary Fund**

For the Fiscal Year Ended June 30, 2014

	Acti Int	Governmental Activities - Internal Service Fund		
Operating Receipts				
Operating Disbursements				
Change in Net Position	\$	0		
Beginning Net Position		915		
Ending Net Position	\$	915		
See accompanying notes to the basic f	inancial statemer	nts.		

Statement of Fiduciary Net Position – Cash Basis Fiduciary Funds June 30, 2014

	Private Purpose Trust			
ASSETS	 		•	
Equity in Pooled Cash and Cash Equivalents	\$ 18,813	\$	26,660	
NET POSITION				
Held in Trust for Scholarships	18,813	\$	0	
Held on Behalf of:				
Others	0		2,026	
Students	0		24,634	
Total Net Position	\$ 18,813	\$	26,660	

Statement of Changes in Fiduciary Net Position – Cash Basis Fiduciary Fund For the Fiscal Year Ended June 30, 2014

	Private		
	Purpose Trust		
Additions			
Miscellaneous	\$ 1,205		
Deductions			
Other	1,550		
Change in Net Position	(345)		
Net Position - Beginning of Year	19,158		
Net Position - End of Year	\$ 18,813		

For the Fiscal Year Ended June 30, 2014

NOTE 1: **REPORTING ENTITY**

Fairport Harbor Exempted Village School District (the "District") is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and federal guidelines.

The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms and provides educational services as mandated by State or federal agencies. The Board controls the District's two educational facilities consisting of one elementary school (K-5) and one high school (6-12).

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

A. Primary Government

The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the District.

B. Component Units

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

The District is associated with three jointly governed organizations, a claims servicing pool, a related organization and an insurance purchasing pool. These organizations are the Lake Geauga Computer Association, the Auburn Career Center, the Ohio Schools Council Association, the Lake County Council of Governments Health Care Benefits Self-Insurance Program, the Fairport Harbor Public Library and the Ohio School Boards' Association Workers' Compensation Group Rating Program which are presented in Notes 14, 15, 16 and 17 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

For the Fiscal Year Ended June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2 C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District does not have any business-type activities.

The statement of net position presents the cash balance of the governmental activities of the District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund financial statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund financial statements report all other receipts and disbursements as nonoperating.

For the Fiscal Year Ended June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following is the District's major fund:

<u>General Fund</u> - The General Fund 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

Proprietary Funds The District classifies funds financed primarily from user charges for goods or services as proprietary. The District only has one internal service fund.

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

Fiduciary Funds The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District has two private purpose trust funds, one accounts for a scholarship, and the other is to track an endowment of the District. Agency funds are custodial in nature. The District's agency funds account for various student-managed activities and unclaimed monies.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

For the Fiscal Year Ended June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. **Basis of Accounting** (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipts for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) and deferred inflows/outflows are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra receipts), respectively.

For the Fiscal Year Ended June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments (Continued)

During fiscal year 2014, investments were limited to STAR Ohio, which is reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2014 was \$43.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District did not have any restricted assets as of June 30, 2014.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

For the Fiscal Year Ended June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Position

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net position reports \$84,156 of the restricted component of net position, none of which is restricted by enabling legislation. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

For the Fiscal Year Ended June 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance (Continued)

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District's Board of Education. Those committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the District's Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement Number 66, Technical Corrections-2012-an amendment of GASB Statement No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District.

For the Fiscal Year Ended June 30, 2014

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement Number 67, Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 and have been implemented by the District.

GASB Statement Number 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 and have been implemented by the District.

These GASB Statements did not have an effect on the District's financial statements.

NOTE 4: **BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a part of restricted, committed, or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$108.831.

NOTE 5: **DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five 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.

For the Fiscal Year Ended June 30, 2014

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

Interim monies held by the District can 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 payment of 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, 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 securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
- 4. Bonds and other obligations of the State of Ohio or Ohio local governments;
- 5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
- 6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 7. The State Treasurer's investment pool (STAR Ohio); and
- 8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, all of the District's bank balance of \$142,500 was fully insured by the FDIC.

For the Fiscal Year Ended June 30, 2014

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2014, the District had the following investments:

				ent Maturities Years)
		Credit		,
<u>Investment Type</u>	Cost	Rating (*)	<1	
STAR Ohio	\$ 732,366	AAAm	\$	732,366

^{*} Credit Rating was obtained from Standard & Poor's for all investments.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk See the above table for credit ratings for all investments. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

For the Fiscal Year Ended June 30, 2014

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

Custodial Credit Risk For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments other than STAR Ohio are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The District places no limit on the amount it may invest in any one issuer. The District's investment STAR Ohio represents all of the District's total investments.

NOTE 6: **PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility tangible personal property (used in business) located in the District. Real property tax receipts received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Lake and Geauga Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The full tax rate at the fiscal years ended June 30, 2014 was \$89.45 per \$1,000 of assessed valuation. The assessed values of real and public utility property on which the fiscal years 2014 taxes were collected were as follows:

	2013 2nd Half Collection				2	2014 1st Half Collection		llection	
	Amount		_	Percent	ercent Amou		Amount	unt Percent	
Agricultural/Residential and Other Real Estate	\$	49,556,020		93.53%		\$	49,386,270		92.39%
Public Utility Personal		3,430,540	_	6.47%	_		4,067,160		7.61%
Total	\$	52,986,560		100.00%		\$	53,453,430		100.00%
		_	•		•				
Tax Rate per \$1,000 of Assessed Valuation	\$	89.40			:	\$	89.45		

For the Fiscal Year Ended June 30, 2014

NOTE 7: **INTERFUND TRANSACTIONS**

Advances of \$55,000 were made to repay prior period advances. All advances comply with the Ohio Revised Code.

NOTE 8: **RISK MANAGEMENT**

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District contracted with various insurance agencies for various types of insurance. Coverage is as follows:

Package Policy	T • •
Schools of Ohio Risk Sharing Authority	Limits
Blanket Property Coverage	\$ 67,920,625
Equipment Breakdown - subject to policy limits (\$500 Deductible)	50,000,000
Miscellaneous Property - Cameras (\$250 Deductible)	
Miscellaneous Property - Musical Instruments (\$500 Deductible)	1,000,000
Miscellaneous Property - Band Uniforms (\$500 Deductible)	1,000,000
Miscellaneous Property - Mobile Agricultural Equip. (\$500 Deductible)	76,591
Computer Coverage (\$500 Deductible)	100,000
General Liability Coverage	12,000,000
Sexual Misconduct	2,000,000
Employee Benefits Liability Claims Made	12,000,000
Employers Stop Gap Liability	12,000,000
School Leaders E & O Liability Claims Made (\$500 Deductible)	1,000,000
Public Employee Dishonesty Blanket Bond (\$500 Deductible)	100,000
Forgery and Alteration (\$500 Deductible)	100,000
Money and Securities (on premises) (\$500 Deductible)	100,000
Theft, Disappearance & Destruction (off premises) (\$500 Deductible)	100,000
Automobile Policy	
Schools of Ohio Risk Sharing Authority	
Auto Liability	\$ 12,000,000
Medical Payments	10,000
Uninsured Motorists Liability	100,000
Comp/Collision Deductibles (\$1,000)	
Hired & Non-Owned Liability Coverage	52,587
Umbrella Policy	
Schools of Ohio Risk Sharing Authority	
Umbrella Policy Limit	\$ 10,000,000

For the Fiscal Year Ended June 30, 2014

NOTE 8: **RISK MANAGEMENT** (Continued)

A. **Property and Liability** (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

All employees of the District are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

B. Employee Medical Coverage

The District has elected to provide medical coverage through premium payments to the Lake County Council of Governments Health Care Benefits Program. See Note 15 for additional information.

C. Workers' Compensation

For fiscal year 2014, the District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the 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. 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 Comp. Management provides administrative, cost control and actuarial services to the GRP.

NOTE 9: **DEFINED BENEFIT PENSION PLANS**

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor 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. That report may be obtained on the SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. 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 Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare Part B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care Fund and the Medicare Part B Fund. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$69,569 \$67,085, and \$86,206 respectively; 100 percent has been contributed for fiscal year 2014, 2013 and 2012.

For the Fiscal Year Ended June 30, 2014

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. State Teachers Retirement System

Plan Description-The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215- 3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options- New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

DB Plan Benefits- Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits- Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the Fiscal Year Ended June 30, 2014

NOTE 9: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. State Teachers Retirement System (Continued)

Combined Plan Benefits- Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy- Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11 percent of covered payroll for members and 14 percent for employers. The District's contributions to STRS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$308,908, \$298,848, and \$318,583 respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System.

For the Fiscal Year Ended June 30, 2014

NOTE 10: **POST-EMPLOYMENT BENEFITS**

A. School Employees Retirement System

Plan Description – In addition to a cost-sharing employer defined benefit pension plan SERS administers two post-employment benefit plans. The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

Funding Policy - The Medicare Part B Plan reimburses premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of January 1, 1999 Medicare Part B premiums or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent. For the fiscal years ended June 30, 2014, 2013 and 2012 the District's contributions to Medicare Part B Plan were \$4,036, \$3,790, and \$4,158, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Health Care Fund was established under, and is administered in accordance with Internal Receipts Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employers' 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal years ended June 30, 2014, 2013 and 2012, the District's contributions to the Health Care Plan, including the surcharge, were \$20,993, \$21,344, and \$38,849, respectively. 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions Active members do not make contributions to the post-employment benefit plans. The SERS Retirement Board establishes the rules for premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

For the Fiscal Year Ended June 30, 2014

NOTE 10: **POST-EMPLOYMENT BENEFITS** (Continued)

B. State Teachers Retirement System

Plan Description- STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy –Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for fiscal years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio Law. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$23,762, \$22,988, and \$22,756, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

NOTE 11: **CONTINGENCIES**

A. Grants

The 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, based on prior experience, management believes the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, would be immaterial.

B. Litigation

As of June 30, 2014, the District was a party to legal proceedings. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the District's financial condition.

For the Fiscal Year Ended June 30, 2014

NOTE 12: **NOTE OBLIGATIONS**

A summary of note transactions for the year ended June 30, 2014 follows:

	Balance			Bala	nce
	Outstanding			Outsta	nding
	6/30/2013	Additions	Reductions	6/30/2	2014
Governmental Activities:					
HB 264 Project - 4.8%	\$ 80,000	\$ 0	\$ (80,000)	\$	0

The HB 264 notes were issued for the purpose of paying costs of installations, modifications and remodeling of school buildings to conserve energy. These notes were fully retired during fiscal year 2014.

NOTE 13: **SET-ASIDE REQUIREMENTS**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	2014
Capital Acquistion	
Set Aside Balance	\$ 67,117
Yearly Set Aside Requirement	92,706
Off Sets	(106,236)
Qualifying Disbursements	
Total	\$ 53,587
Balance Carried Forward	\$ 53,587

The District did not have qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero.

For the Fiscal Year Ended June 30, 2014

NOTE 14: JOINTLY GOVERNED ORGANIZATIONS

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 18 member school districts. Each of the school districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent upon the District's continued participation. Financial information can be obtained by writing the Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

Auburn Career Center - The Auburn Career Center is a joint vocational school operated by eleven school districts. Each participating school district appoints one board 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 participants control over the operation of the Auburn Career Center is limited to representation on the board. The Auburn Career Center receives 1.5 mills of District property taxes which is paid to the Auburn Career Center directly by Geauga County. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained from the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

Ohio Schools Council Association - The Ohio Schools Council Association (Council) is a jointly governed organization among 196 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each school district supports the Council by paying an annual participation fee. Each school district member superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2014, the District paid \$5,436 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The District participates in the Council's natural gas program. The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. There are currently 151 school districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). School Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and school districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

For the Fiscal Year Ended June 30, 2014

NOTE 15: CLAIMS SERVICING POOL

The District participates in the Lake County Council of Governments Health Care Benefits (HCBP) Self Insurance Program, a claims servicing pool comprised of ten Lake County school districts and one Cuyahoga County school district. 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 by the HCBP's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

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 Village 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 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: INSURANCE PURCHASING POOL

The District participates in the Ohio School Boards' Association (OSBA) 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 OSBA. The Director of 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: LAKE COUNTY SCHOOL FINANCING DISTRICT

The Lake County Educational Service Center has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Revised Code, created a county school financing district known as the Lake County School Financing District (the "Financing District") for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the Financing District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

The Lake County Educational Service Center acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Ohio Revised Code. The Financing District receives settlements of taxes levied and distributes within ten days to each of the Member school districts; each of such Member school district's proportionate shares of that tax settlement. Each Member school district's proportionate share is a fraction, the numerator being Member school district's total pupil population and the denominator being the aggregate pupil population of all Member school districts as of that date. The District reports these receipts in the "Taxes" account.

For the Fiscal Year Ended June 30, 2014

NOTE 19: **COMPLIANCE**

- A. Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit certain assets, liabilities, deferred outflows/inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.
- B. Contrary to Section 5705.10, the District had several funds that had negative fund balances at year end.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Expenditures
U.S. Department of Education Passed through Ohio Department of Education Title I Cluster: Title I, Grant to Local Education Agencies Total Title I	84.010	\$ 137,815 137,815
Special Education Cluster: Special Education - Grants to States Total Special Education Cluster	84.027	103,228 103,228
ARRA - Race to the Top	84.395	293,488
Total U.S. Department of Education		534,531
TOTAL EXPENDITURES OF FEDERAL AWAR	RDS	<u>\$ 534,531</u>

See accompanying notes to Supplemental Schedule of Expenditures of Federal Awards.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT LAKE COUNTY, OHIO NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2014

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fairport Harbor Exempted Village School District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants 5240 East 98th Street Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Fairport Harbor Exempted Village School District, Lake County, Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fairport Harbor Exempted Village School District, Ohio's basic financial statements and have issued our report thereon dated January 15, 2015, wherein we noted that the Fairport Harbor Exempted Village School District, Ohio, uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fairport Harbor Exempted Village School District, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fairport Harbor Exempted Village School District, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fairport Harbor Exempted Village School District, Ohio's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fairport Harbor Exempted Village School District, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Ouestioned Costs as Finding Numbers 2014-001 and 2014-002.

Fairport Harbor Exempted Village School District Response to Findings

The Fairport Harbor Exempted Village School District, Ohio's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Fairport Harbor Exempted Village School District, Ohio's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fairport Harbor Exempted Village School District, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, Digitally signed by James G. Zupka, CPA, President, DN: cn=James G. Zupka, CPA, President, D=James G. Zupka, CPA, Inc., ou=Accounting, email=jgzcpa@sbcglobalnet, C=US Date: 2015.01.30 10.06:49-05'00'

James G. Zupka, CPA, Inc. Certified Public Accountants

January 15, 2015

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants 5240 East 98th Street Garfield Hts., Ohio 44125

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Fairport Harbor Exempted Village School District, Lake County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Fairport Harbor Exempted Village School District, Ohio's major federal program for the year ended June 30, 2014. The Fairport Harbor Exempted Village School District, Ohio's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Fairport Harbor Exempted Village School District, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fairport Harbor Exempted Village School District, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Fairport Harbor Exempted Village School District, Ohio's compliance.

Opinion on each Major Federal Program

In our opinion, Fairport Harbor Exempted Village School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Fairport Harbor Exempted Village School District, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fairport Harbor Exempted Village School District, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fairport Harbor Exempted Village School District, Ohio's internal control over compliance.

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

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

Purpose the this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, President

CPA, President

CPA, President

James G. Zupka, CPA, President, Onk: cn=James G. Zupka, CPA, President, Onk: cn=James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.

Certified Public Accountants

January 15, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS OMB CIRCULAR A-133 & §.505

JUNE 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2014(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2014(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2014(v)	Type of Major Programs' Compliance Opinion	Unmodified
2014(vi)	Were there any reportable findings under .510(a)?	No
2014(vii)	Major Programs (list):	
	ARRA - Race to the Top - CFDA #84.395	
2014(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2014(ix)	Low Risk Auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS OMB CIRCULAR A-133 & §.505 (CONTINUED) JUNE 30, 2014

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

Finding 2014-001 - Noncompliance Finding - Annual Financial Report

Condition/Criteria

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

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles (GAAP). However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles.

Cause/Effect

The accompanying financial statements and footnotes omit entity-wide statements, assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to the Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limits.

Recommendation

We recommend the District take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles.

Client Response

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS OMB CIRCULAR A-133 & §.505 (CONTINUED) JUNE 30, 2014

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number 2014-002 - Material Noncompliance - Negative Cash Fund Balances

Condition/Criteria

Ohio Revised Code Section 5705.10 (H) indicates money paid into any fund shall be used only for the purpose for which such fund is established. A fund with a negative fund balance signifies that monies from other funds were used to meet their obligations.

During our review of the District's records, we noted that several funds had negative cash fund balances at June 30, 2014:

Special Revenue Funds

District Managed Activities	\$ 33,597
Ohio Reads	263
Race to the Top	83,719
Title VI-B IDEA	109,306

Cause/Effect

Negative cash fund balances infer revenues from other sources were borrowed to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards.

Recommendation

We recommend that the District monitor its cash fund balances on a regular basis in order to ensure that sufficient cash is on hand to pay for obligations and that the District utilize advances when necessary.

Client Response

The negative balances are related to grants not being received timely. Management will advance money for grants in the future to avoid negative cash balances.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT LAKE COUNTY, OHIO SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS JUNE 30, 2014

Finding Number	Finding Summary	Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken, or Finding Not Valid: Explanation
2013-001	Failure to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.	No	Repeat in 2014-001.
2013-002	ORC 5705.10 - Negative Fund Cash Balances	No	Repeat in 2014-002
2013-003	ORC 5075.41(B) - Expending money only with Appropriations	Yes	Corrective Action Taken
2013-004	ORC 5705.39 - Total Appropriations should not exceed Estimated Resources	Yes	Corrective Action Taken

The prior audit report, as of June 30, 2013, also included management letter recommendations. Management letter recommendations as of June 30, 2013, have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

JAMES G. ZUPKA, C.P.A., INC.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Fairport Harbor Exempted Village School District Fairport Harbor, Ohio

To the Board of Education:

Ohio Revised Code Section 117.53 states, "the Auditor of State shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether the Fairport Harbor Exempted Village School District (the District), Lake County, Ohio, has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship and harassment on a school bus within the definition of harassment, intimidation or bullying, per the requirements listed in Ohio Revised Code 3313.666.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

James G. Zupka, CPA, President Dixensions G. Zupka, CPA, President Dixensions G. Zupka, CPA, President Dixensions G. Zupka, CPA, President James G. Zupka, CPA, John Constant G. Zupka, CPA, Jinc. Certified Public Accountants

January 15, 2015



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.

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED MAY 19, 2015