



**FAIRVIEW PARK CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FAIRVIEW PARK CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Fairview Park City School District
Cuyahoga County
20770 Lorain Road
Fairview Park, Ohio 44126

We have audited the accompanying general-purpose financial statements of the Fairview Park City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fairview Park City School District, Cuyahoga County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and similar non-expendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

August 15, 2002

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FAIRVIEW PARK CITY SCHOOL DISTRICT
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,203,078	\$ 332,397	\$ 546,798	\$ 745,386
Restricted Assets	515,067	0	0	0
Cash in Segregated Accounts	0	0	0	0
Receivables:				
Taxes	13,348,100	0	506,554	0
Accounts	0	3,610	0	0
Intergovernmental	0	43,147	0	0
Interfund	93,000	0	0	0
Materials and Supplies Inventory	0	0	0	0
Fixed Assets (Net, where Applicable, of Accumulated Depreciation)	0	0	0	0
 <u>Other Debits</u>				
Amount Available in Debt				
Service Fund	0	0	0	0
Amount to be Provided for Benefits	0	0	0	0
Amount to be Provided for Capital Leases	0	0	0	0
Amount to be Provided for General Long-Term Obligations	0	0	0	0
 Total Assets and Other Debits	 \$ 17,159,245	 \$ 379,154	 \$ 1,053,352	 \$ 745,386
	=====	=====	=====	=====

See the accompanying notes to the general purpose financial statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 77,436	\$ 436,509	\$ 1,883,718	\$ 0	\$ 0	\$ 7,225,322
0	0	0	0	0	515,067
0	0	591	0	0	591
0	0	0	0	0	13,854,654
23,355	0	0	0	0	26,965
5,366	0	0	0	0	48,513
0	0	0	0	0	93,000
6,758	0	0	0	0	6,758
31,807	0	0	20,048,624	0	20,080,431
0	0	0	0	603,091	603,091
0	0	0	0	4,710,933	4,710,933
0	0	0	0	540	540
0	0	0	0	4,330,704	4,330,704
<u>\$ 144,722</u>	<u>\$ 436,509</u>	<u>\$ 1,884,309</u>	<u>\$ 20,048,624</u>	<u>\$ 9,645,268</u>	<u>\$ 51,496,569</u>

(Continued)

FAIRVIEW PARK CITY SCHOOL DISTRICT
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 (CONTINUED)
 JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 222,928	\$ 12,195	\$ 0	\$ 0
Accrued Wages and Benefits	1,215,892	2,770	0	0
Compensated Absences Payable	30,313	256	0	0
Claims Payable	115,029	0	0	0
Deferred Revenue	12,220,789	43,147	450,261	0
Interfund Payable	0	43,000	0	0
Intergovernmental Payable	265,381	772	0	92
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Capital Lease Obligation Payable	0	0	0	0
Total Liabilities	14,070,332	102,140	450,261	92
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Budget Stabilization	362,516	0	0	0
Reserved for Textbook Subsidy	17,951	0	0	0
Reserved for Encumbrances	543,435	127,848	0	304,972
Reserved for Property Taxes	1,127,311	0	56,293	0
Unreserved:				
Designated for Future Debt				
Service Requirements	0	0	546,798	0
Undesignated	1,037,700	149,166	0	440,322
Total Fund Equity and Other Credits	3,088,913	277,014	603,091	745,294
Total Liabilities, Fund Equity and Other Credits	\$ 17,159,245	\$ 379,154	\$ 1,053,352	\$ 745,386

See accompanying notes to the general purpose financial statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 3,503	\$ 0	\$ 4,089	\$ 0	\$ 0	\$ 242,715
5,251	0	0	0	0	1,223,913
84,883	0	0	0	4,585,616	4,701,068
0	169,190	0	0	0	284,219
0	0	0	0	0	12,714,197
50,000	0	0	0	0	93,000
29,438	0	750,158	0	125,317	1,171,158
0	0	73,030	0	0	73,030
0	0	0	0	4,933,795	4,933,795
0	0	0	0	540	540
<u>173,075</u>	<u>169,190</u>	<u>827,277</u>	<u>0</u>	<u>9,645,268</u>	<u>25,437,635</u>
0	0	0	20,048,624	0	20,048,624
(28,353)	267,319	1,027,017	0	0	1,265,983
0	0	0	0	0	362,516
0	0	0	0	0	17,951
0	0	9,442	0	0	985,697
0	0	0	0	0	1,183,604
0	0	0	0	0	546,798
0	0	20,573	0	0	1,647,761
<u>(28,353)</u>	<u>267,319</u>	<u>1,057,032</u>	<u>20,048,624</u>	<u>0</u>	<u>26,058,934</u>
<u>\$ 144,722</u>	<u>\$ 436,509</u>	<u>\$ 1,884,309</u>	<u>\$ 20,048,624</u>	<u>\$ 9,645,268</u>	<u>\$ 51,496,569</u>

FAIRVIEW PARK CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
Revenues						
Taxes	\$ 12,862,249	\$ 0	\$ 515,985	\$ 0	\$ 0	\$ 13,378,234
Intergovernmental	4,050,120	978,360	70,345	72,418	0	5,171,243
Interest	323,820	20,294	0	0	0	344,114
Tuition and Fees	66,694	43,438	0	0	1,840	111,972
Extracurricular Activities	0	196,264	0	0	16,534	212,798
Transportation Fees	8,265	64,252	0	0	0	72,517
Miscellaneous	326,209	19,173	0	0	4,308	349,690
Total Revenues	<u>17,637,357</u>	<u>1,321,781</u>	<u>586,330</u>	<u>72,418</u>	<u>22,682</u>	<u>19,640,568</u>
Expenditures						
Current:						
Instruction:						
Regular	7,444,196	297,430	0	42,928	2,350	7,786,904
Special	1,325,212	180,428	0	0	0	1,505,640
Vocational	230,362	0	0	2,354	0	232,716
Other	65,076	0	0	0	0	65,076
Support Services:						
Pupils	917,922	28,791	0	0	0	946,713
Instructional Staff	1,017,488	51,743	0	2,334	0	1,071,565
Board of Education	16,862	0	0	0	0	16,862
Administration	1,160,860	0	0	0	0	1,160,860
Fiscal	464,245	0	0	0	0	464,245
Business	11,006	0	0	0	0	11,006
Operation and Maintenance of Plant	2,490,113	0	0	38,114	0	2,528,227
Pupil Transportation	683,458	0	0	0	0	683,458
Central	58,355	12,445	0	0	0	70,800
Operation of Non- Instructional Services:						
Community Service	1,689	651,767	0	0	18,302	671,758
Food Service	0	0	0	0	0	0
Extracurricular Activities	509,696	106,362	0	0	0	616,058
Capital Outlay	0	0	0	430,171	0	430,171
Debt Service:						
Principal Retirement	1,148	0	475,000	0	0	476,148
Interest and Fiscal Charges	27,196	0	206,663	0	0	233,859
Total Expenditures	<u>16,424,884</u>	<u>1,328,966</u>	<u>681,663</u>	<u>515,901</u>	<u>20,652</u>	<u>18,972,066</u>
Excess of Revenues Over (Under) Expenditures	1,212,473	(7,185)	(95,333)	(443,483)	2,030	668,502
Other Financing Sources (Uses)						
Proceeds from Sale of Bonds	0	0	0	698,802	0	698,802
Operating Transfers In	0	0	131,000	298,872	0	429,872
Operating Transfers Out	(429,872)	0	0	0	0	(429,872)
Total Other Financing Sources (Uses)	<u>(429,872)</u>	<u>0</u>	<u>131,000</u>	<u>997,674</u>	<u>0</u>	<u>698,802</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	782,601	(7,185)	35,667	554,191	2,030	1,367,304
Fund Balances - Beginning of Year	2,306,312	284,199	567,424	191,103	27,985	3,377,023
Fund Balances -End of Year	<u>\$ 3,088,913</u>	<u>\$ 277,014</u>	<u>\$ 603,091</u>	<u>\$ 745,294</u>	<u>\$30,015</u>	<u>\$ 4,744,327</u>

See accompanying notes to the general purpose financial statements.

FAIRVIEW PARK CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS)
 AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	GENERAL FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 12,529,896	\$ 12,497,893	\$ (32,003)
Intergovernmental	4,024,658	4,014,378	(10,280)
Interest	324,649	323,820	(829)
Tuition and Fees	66,864	66,693	(171)
Extracurricular Activities	0	0	0
Transportation Fees	8,286	8,265	(21)
Miscellaneous	257,240	256,581	(659)
Total Revenues	<u>17,211,593</u>	<u>17,167,630</u>	<u>(43,963)</u>
Expenditures			
Current:			
Instruction:			
Regular	7,571,189	7,501,497	69,692
Special	1,584,404	1,487,015	97,389
Vocational	246,842	237,062	9,780
Other	82,629	67,873	14,756
Support Services:			
Pupils	978,101	940,629	37,472
Instructional Staff	1,100,752	1,031,275	69,477
Board of Education	21,940	16,858	5,082
Administration	1,241,155	1,192,738	48,417
Fiscal	505,290	461,808	43,482
Business	79,803	40,160	39,643
Operation and Maintenance of Plant	2,846,674	2,751,374	95,300
Pupil Transportation	816,243	724,547	91,696
Central	72,304	59,502	12,802
Operation of Non-Instructional Services:			
Community Service	0	0	0
Food Service	0	0	0
Extracurricular Activities:			
Academic Oriented	0	0	0
Sports Oriented	118,523	108,227	10,296
Co-Curricular	408,740	399,244	9,496
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>17,674,589</u>	<u>17,019,809</u>	<u>654,780</u>
Excess of Revenues Over (Under) Expenditures	<u>(462,996)</u>	<u>147,821</u>	<u>610,817</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Bonds	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(432,000)	(429,872)	2,128
Advances In	198,500	198,500	0
Advances Out	(100,000)	(93,000)	7,000
Refund of Prior Year Expenditures	101,320	101,320	0
Refund of Prior Year Receipts	(16,000)	(15,906)	94
Total Other Financing Sources (Uses)	<u>(248,180)</u>	<u>(238,958)</u>	<u>9,222</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(711,176)</u>	<u>(91,137)</u>	<u>620,039</u>
Fund Balances - Beginning of Year	1,861,847	1,861,847	0
Prior Year Encumbrances Appropriated	709,860	709,860	0
Fund Balances - End of Year	<u>\$ 1,860,531</u>	<u>\$ 2,480,570</u>	<u>\$ 620,039</u>

See accompanying notes to the general purpose financial statements.

FAIRVIEW PARK CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS)
 AND ACTUAL - ALL GOVERNMENTAL FUND TYPES (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	974,750	974,750	0
Interest	20,294	20,294	0
Tuition and Fees	43,438	43,438	0
Extracurricular Activities	196,207	196,207	0
Transportation Fees	64,252	64,252	0
Miscellaneous	19,229	19,229	0
Total Revenues	<u>1,318,170</u>	<u>1,318,170</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	410,754	336,942	73,812
Special	189,646	190,522	(876)
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupils	40,305	40,054	251
Instructional Staff	93,453	58,992	34,461
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	14,366	12,534	1,832
Operation of Non-Instructional Services:			
Community Service	781,616	768,238	13,378
Food Service	0	0	0
Extracurricular Activities:			
Academic Oriented	25,772	14,537	11,235
Sports Oriented	109,083	98,317	10,766
Co-Curricular	10,392	2,349	8,043
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>1,675,387</u>	<u>1,522,485</u>	<u>152,902</u>
Excess of Revenues Over (Under) Expenditures	<u>(357,217)</u>	<u>(204,315)</u>	<u>152,902</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Bonds	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Advances In	43,000	43,000	0
Advances Out	(17,500)	(17,500)	0
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Total Other Financing Sources (Uses)	<u>25,500</u>	<u>25,500</u>	<u>0</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(331,717)</u>	<u>(178,815)</u>	<u>152,902</u>
Fund Balances - Beginning of Year	268,342	268,342	0
Prior Year Encumbrances Appropriated	111,011	111,011	0
Fund Balances - End of Year	<u><u>\$ 47,636</u></u>	<u><u>\$ 200,538</u></u>	<u><u>\$ 152,902</u></u>

See accompanying notes to the general purpose financial statements.

FAIRVIEW PARK CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS)
 AND ACTUAL - ALL GOVERNMENTAL FUND TYPES (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	DEBT SERVICE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 387,069	\$ 497,784	\$ 110,715
Intergovernmental	54,699	70,345	15,646
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Transportation Fees	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>441,768</u>	<u>568,129</u>	<u>126,361</u>
Expenditures			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services:			
Community Service	0	0	0
Food Service	0	0	0
Extracurricular Activities:			
Academic Oriented	0	0	0
Sports Oriented	0	0	0
Co-Curricular	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	475,000	475,000	0
Interest and Fiscal Charges	210,000	206,663	3,337
Total Expenditures	<u>685,000</u>	<u>681,663</u>	<u>3,337</u>
Excess of Revenues Over (Under) Expenditures	<u>(243,232)</u>	<u>(113,534)</u>	<u>129,698</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Bonds	0	0	0
Operating Transfers In	131,000	131,000	0
Operating Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Total Other Financing Sources (Uses)	<u>131,000</u>	<u>131,000</u>	<u>0</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(112,232)</u>	<u>17,466</u>	<u>129,698</u>
Fund Balances - Beginning of Year	529,332	529,332	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balances - End of Year	<u><u>\$ 417,100</u></u>	<u><u>\$ 546,798</u></u>	<u><u>\$ 129,698</u></u>

See accompanying notes to the general purpose financial statements.

FAIRVIEW PARK CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS)
 AND ACTUAL - ALL GOVERNMENTAL FUND TYPES (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	CAPITAL PROJECTS FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	72,418	72,418	0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Transportation Fees	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>72,418</u>	<u>72,418</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	43,197	43,017	180
Special	0	0	0
Vocational	2,368	2,353	15
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	22,109	3,177	18,932
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	70,000	0	70,000
Operation and Maintenance of Plant	255,064	88,827	166,237
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services:			
Community Service	0	0	0
Food Service	0	0	0
Extracurricular Activities:			
Academic Oriented	0	0	0
Sports Oriented	0	0	0
Co-Curricular	0	0	0
Capital Outlay	759,772	734,118	25,654
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>1,152,510</u>	<u>871,492</u>	<u>281,018</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,080,092)</u>	<u>(799,074)</u>	<u>281,018</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Bonds	698,802	698,802	0
Operating Transfers In	298,872	298,872	0
Operating Transfers Out	0	0	0
Advances In	0	0	0
Advances Out	(152,000)	(152,000)	0
Refund of Prior Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Total Other Financing Sources (Uses)	<u>845,674</u>	<u>845,674</u>	<u>0</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(234,418)</u>	<u>46,600</u>	<u>281,018</u>
Fund Balances - Beginning of Year	302,684	302,684	0
Prior Year Encumbrances Appropriated	91,134	91,134	0
Fund Balances - End of Year	<u><u>\$ 159,400</u></u>	<u><u>\$ 440,418</u></u>	<u><u>\$ 281,018</u></u>

See accompanying notes to the general purpose financial statements.

FAIRVIEW PARK CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL -
 ALL GOVERNMENTAL FUND TYPES (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	TOTALS (MEMORANDUM ONLY)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 12,916,965	\$ 12,995,677	\$ 78,712
Intergovernmental	5,126,525	5,131,891	5,366
Interest	344,943	344,114	(829)
Tuition and Fees	110,302	110,131	(171)
Extracurricular Activities	196,207	196,207	0
Transportation Fees	72,538	72,517	(21)
Miscellaneous	276,469	275,810	(659)
Total Revenues	<u>19,043,949</u>	<u>19,126,347</u>	<u>82,398</u>
Expenditures			
Current:			
Instruction:			
Regular	8,025,140	7,881,456	143,684
Special	1,774,050	1,677,537	96,513
Vocational	249,210	239,415	9,795
Other	82,629	67,873	14,756
Support Services:			
Pupils	1,018,406	980,683	37,723
Instructional Staff	1,216,314	1,093,444	122,870
Board of Education	21,940	16,858	5,082
Administration	1,241,155	1,192,738	48,417
Fiscal	505,290	461,808	43,482
Business	149,803	40,160	109,643
Operation and Maintenance of Plant	3,101,738	2,840,201	261,537
Pupil Transportation	816,243	724,547	91,696
Central	86,670	72,036	14,634
Operation of Non-Instructional Services:			
Community Service	781,616	768,238	13,378
Food Service	0	0	0
Extracurricular Activities:			
Academic Oriented	25,772	14,537	11,235
Sports Oriented	227,606	206,544	21,062
Co-Curricular	419,132	401,593	17,539
Capital Outlay	759,772	734,118	25,654
Debt Service:			
Principal Retirement	475,000	475,000	0
Interest and Fiscal Charges	210,000	206,663	3,337
Total Expenditures	<u>21,187,486</u>	<u>20,095,449</u>	<u>1,092,037</u>
Excess of Revenues Over(Under) Expenditures	<u>(2,143,537)</u>	<u>(969,102)</u>	<u>1,174,435</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Bonds	698,802	698,802	0
Operating Transfers In	429,872	429,872	0
Operating Transfers Out	(432,000)	(429,872)	2,128
Advances In	241,500	241,500	0
Advances Out	(269,500)	(262,500)	7,000
Refund of Prior Year Expenditures	101,320	101,320	0
Refund of Prior Year Receipts	(16,000)	(15,906)	94
Total Other Financing Sources (Uses)	<u>753,994</u>	<u>763,216</u>	<u>9,222</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,389,543)</u>	<u>(205,886)</u>	<u>1,183,657</u>
Fund Balances - Beginning of Year	2,962,205	2,962,205	0
Prior Year Encumbrances Appropriated	912,005	912,005	0
Fund Balances - End of Year	<u>\$ 2,484,667</u>	<u>\$ 3,668,324</u>	<u>\$ 1,183,657</u>

See accompanying notes to the general purpose financial statements.

FAIRVIEW PARK CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
 AND SIMILAR NON-EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Non-</u> <u>Expendable</u> <u>Trust</u>	
<u>Operating Revenues</u>				
Tuition and Fees	\$ 22,206	\$ 0	\$ 0	\$ 22,206
Extracurricular Activities	93,718	0	0	93,718
Charges for Services	604,262	1,160,200	0	1,764,462
Contribution	0	0	1,000,000	1,000,000
Miscellaneous	4,210	0	27,017	31,227
Total Operating Revenues	<u>724,396</u>	<u>1,160,200</u>	<u>1,027,017</u>	<u>2,911,613</u>
<u>Operating Expenses</u>				
Salaries and Wages	442,649	0	0	442,649
Fringe Benefits	94,426	21,404	0	115,830
Contractual Services	40,967	1,229,866	0	1,270,833
Materials and Supplies	218,323	0	0	218,323
Depreciation	4,908	0	0	4,908
Other	1,166	10,432	0	11,598
Total Operating Expenses	<u>802,439</u>	<u>1,261,702</u>	<u>0</u>	<u>2,064,141</u>
Operating Income (Loss)	<u>(78,043)</u>	<u>(101,502)</u>	<u>1,027,017</u>	<u>847,472</u>
<u>Non-Operating Revenues (Expenses)</u>				
Operating Grants	37,534	0	0	37,534
Total Non-Operating Revenues (Expenses)	<u>37,534</u>	<u>0</u>	<u>0</u>	<u>37,534</u>
Net Income (Loss)	<u>(40,509)</u>	<u>(101,502)</u>	<u>1,027,017</u>	<u>885,006</u>
Retained Earnings-Beginning of Year	<u>12,156</u>	<u>368,821</u>	<u>0</u>	<u>380,977</u>
Total Retained Earnings - End of Year	<u>\$ (28,353)</u>	<u>\$ 267,319</u>	<u>\$1,027,017</u>	<u>\$1,265,983</u>

See accompanying notes to the general purpose financial statements.

FAIRVIEW PARK CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND SIMILAR
 NON-EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Fund Types</u> Non-Expendable(Trust)	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Operations	\$ 727,754	\$ 1,160,200	\$ 27,017	\$ 1,914,971
Cash Paid to Employees for Services	(456,886)	0	0	(456,886)
Cash Paid for Employee Benefits	(94,561)	(21,404)	0	(115,965)
Cash Paid to Suppliers for Goods and Services	(275,787)	(1,258,405)	0	(1,534,192)
Cash Payments for Other Activities	(1,005)	(63,935)	0	(64,940)
Cash Received from Quasi-External Operating Transactions	50,000	0	0	50,000
Cash Payments for Quasi-External Operating Transactions	(29,000)	0	0	(29,000)
Cash Contribution	0	0	1,000,000	1,000,000
Net Cash Provided by Operating Activities	<u>(79,485)</u>	<u>(183,544)</u>	<u>1,027,017</u>	<u>763,988</u>
<u>Cash Flows from Non-Capital Financing Activities</u>				
Cash from Grants	37,824	0	0	37,824
<u>Cash Flows from Capital Financing Activities</u>				
Acquisition of Fixed Assets	(9,274)	0	0	(9,274)
Net Increase in Cash and Cash Equivalents	<u>(50,935)</u>	<u>(183,544)</u>	<u>1,027,017</u>	<u>792,538</u>
Cash and Cash Equivalents - Beginning of Year	128,371	620,053	0	748,424
Cash and Cash Equivalents - End of Year	<u>\$ 77,436</u>	<u>\$ 436,509</u>	<u>\$ 1,027,017</u>	<u>\$ 1,540,962</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u>				
Operating Income (Loss)	<u>\$ (78,043)</u>	<u>\$ (101,502)</u>	<u>\$ 1,027,017</u>	<u>\$ 847,472</u>
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities</u>				
Depreciation Expense	4,908	0	0	4,908
(Increase) Decrease in Assets:				
Accounts Receivable	3,358	0	0	3,358
Inventory Held for Resale	2,058	0	0	2,058
Increase (Decrease) in Liabilities:				
Accounts Payable	(18,395)	0	0	(18,395)
Accrued Wages and Benefits	552	0	0	552
Claims Payable	0	(82,042)	0	(82,042)
Intergovernmental Payable	(205)	0	0	(205)
Compensated Absences	(14,718)	0	0	(14,718)
Interfund Payable	21,000	0	0	21,000
Total Adjustments	<u>(1,442)</u>	<u>(82,042)</u>	<u>0</u>	<u>(83,484)</u>
Net Cash Provided by Operating Activities	<u>\$ (79,485)</u>	<u>\$ (183,544)</u>	<u>\$ 1,027,017</u>	<u>\$ 763,988</u>

See accompanying notes to the general purpose financial statements.

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FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE 1: **DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Fairview Park City School District (the “District”) is organized under Article VI, Sections 2 and 3 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/or federal guidelines.

Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool, and student related activities.

Non-Public Schools - Within the District’s boundaries, the elementary schools of St. Angela Merici and Messiah Lutheran, and Murton’s Child Development Center operate as non-public schools. Current State legislation provides funding to these schools. These monies are received and distributed on behalf of the schools by the Treasurer of the Fairview Park City School District as directed by the schools. The activity of these State monies by the District is reflected in a special revenue fund for financial reporting purposes.

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. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are the Polaris Career Center, the Lake Erie Educational Computer Association, the Ohio Schools’ Council, and the Ohio School Boards Association Workers’ Compensation Group Rating Program. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

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

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

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

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

Governmental Fund Types

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

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation - Fund Accounting** (Continued)

Governmental Fund Types (Continued)

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

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

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for District operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation - Fund Accounting** (Continued)

Proprietary Fund Types (Continued)

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for and reported similar to proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or trust funds.

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

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

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Budgetary Process** (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is at the object level within each function for the General Fund and the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. The budget includes proposed expenditures and the means of financing for all funds. By no later than January 20, the Board-adopted budget is filed with the Cuyahoga County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures for the general fund and fund level for all other funds, which are the District's legal

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Budgetary Process** (Continued)

Appropriations (Continued)

levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

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

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2001, investments were limited to STAROhio, the State Treasurer's Investment pool, and money markets. Investments are reported at fair value, which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$323,820, which includes \$174,291 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than 3 months that are not purchased from the pool are reported as investments.

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to reflect statutory restrictions on their use. By statute, money must be set aside to create a textbook subsidy reserve and a budget stabilization reserve. The reserve for budget stabilization also includes a refund received in fiscal year 1998 from the Bureau of Workers' Compensation, which State statute required to be included in this reserve. See Note 22 for the calculations of the year-end restricted asset balance and the corresponding fund balance reserves.

F. **Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consists of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. **Fixed Assets and Depreciation**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. **Intergovernmental Revenues**

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

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

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

I. **Compensated Absences**

In conformity with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, the vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified, certified, and administrative employees after seven years of current service with the District.

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year end are generally considered not to have been paid with current available financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, budget stabilization, and textbook subsidy. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

L. Estimates

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

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

M. Total Columns on General Purpose Financial Statements

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

NOTE 3: **COMPLIANCE AND ACCOUNTABILITY**

A. Compliance

Deficit retained earnings include the Food Service Fund of \$60,264 and the Uniform School Supply Fund of \$1,861.

The Chapter One Fund has a deficit fund balance in the amount of \$6,514 and the EHA Preschool Fund has a deficit fund balance in the amount of \$9,407.

The above deficits result from the recognition of expenditures on the modified accrual basis of accounting that are greater than expenditures recognized on the budgetary basis.

B. Change in Accounting Principle

For June 30, 2001, the District has adopted GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. GASB Statement 36 modified the provisions of GASB Statement 33 for certain specific nonexchange revenues.

GASB Statement 33 and GASB Statement 36 were required for the current year. These statements clarified the timing requirements for recognizing assets, liabilities, revenues and expenditures/expenses associated with nonexchange transactions. As a result of implementation of these statements, no restatement of prior year fund balance was necessary.

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 4: **BUDGETARY BASIS OF ACCOUNTING**

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

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
GAAP Basis	\$ 782,601	\$ (7,185)	\$ 35,667	\$ 554,191
Net Adjustments for				
Revenue Accruals	(169,909)	39,390	(18,201)	0
Net Adjustments for				
Expenditure Accruals	54,966	(79,160)	0	(202,619)
Adjustments for Encumbrances	(758,795)	(131,859)	0	(304,972)
Budget Basis	<u>\$ (91,137)</u>	<u>\$ (178,814)</u>	<u>\$ 17,466</u>	<u>\$ 46,600</u>

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 5: **DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds or other obligations of the State of Ohio;
5. No-loan money market mutual funds consisting exclusively of obligations described in division (1) or division (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Historically, the District has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

FAIRVIEW PARK CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001
 (CONTINUED)

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

Deposits

At June 30, 2001, the carrying amount of the District's deposits was \$241,910 and the bank balance was \$459,838. Of the bank balance, \$101,241 was covered by Federal Depository Insurance and \$358,597 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

GASB Statement No. 3 requires the District's investments be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

The District invested in the State Treasury Asset Reserve of Ohio (STAROhio) during the 2000-2001 fiscal year. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for at June 30, 2001. STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Fair Value
STAROhio (Uncategorized)	\$ 6,472,053	\$ 6,472,053
Money Market (Category 3)	1,027,017	1,027,017
Totals	\$ 7,499,070	\$ 7,499,070

FAIRVIEW PARK CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001
 (CONTINUED)

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

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

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$ 7,740,980	\$ 0
Investments:		
STAROhio	(6,472,053)	6,472,053
Money Market	(1,027,017)	1,027,017
GASB Statement 3	\$ 241,910	\$ 7,499,070

Included in the carrying amount above is cash in segregated accounts of \$591. The District maintains petty cash of \$2,060.

NOTE 6: **PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District's 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, public utility, and tangible personal (used in business) property located in the District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to financial fiscal year 2002.

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 6: **PROPERTY TAXES** (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at 35 percent of true value. Public utility property taxes for 2001 are levied after April 1, 2001 on the assessed value listed as of December 31, 2000, the lien date, and are collected in 2001 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2001 on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000		2001	
	Second Half Collections		First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 297,965,820	95.24%	\$ 331,302,890	95.77%
Public Utility	8,815,330	2.82%	8,312,650	2.40%
Tangible Personal Property	6,079,840	1.94%	6,314,181	1.83%
Total Assessed Value	<u>\$ 312,860,990</u>	<u>100.00%</u>	<u>\$ 345,929,721</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$ 76.20		\$ 76.20	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

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

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

FAIRVIEW PARK CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001
 (CONTINUED)

NOTE 6: **PROPERTY TAXES** (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county. The County Auditor periodically remits to the District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001 was \$1,183,604 and is recognized as revenue. \$1,127,311 was available to the general fund, and \$56,293 was available to the bond retirement fund.

NOTE 7: **RECEIVABLES**

Receivables at June 30, 2001 consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Special Revenue Funds	
Title II - Eisenhower Professional Development	\$ 725
Title VI-B	3,326
Title 1	30,664
Title VI	6,673
Drug Free Schools	675
Title VI-R	1,084
Enterprise Fund	
National School Lunch Program	5,366
Total Intergovernmental Receivables	\$ 48,513

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 8: **FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001 follows:

	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land Improvements	\$ 4,000	\$ 0	\$ 0	\$ 4,000
Building and Improvements	4,433	0	0	4,433
Furniture and Equipment	103,985	9,274	0	113,259
Less Accumulated Depreciation	(84,977)	(4,908)	0	(89,885)
Net Fixed Assets	<u>\$ 27,441</u>	<u>\$ 4,366</u>	<u>\$ 0</u>	<u>\$ 31,807</u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$ 1,130,124	\$ 0	\$ 0	\$ 1,130,124
Building and Improvements	14,190,634	265,031	0	14,455,665
Furniture, Fixtures and Equipment	2,960,677	591,746	0	3,552,423
Vehicles	761,698	0	0	761,698
Construction in Progress	0	148,714	0	148,714
Total General Fixed Assets	<u>\$19,043,133</u>	<u>\$ 1,005,491</u>	<u>\$ 0</u>	<u>\$ 20,048,624</u>

NOTE 9: **RISK MANAGEMENT**

A. **Property and Liability**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and natural disasters. In order to minimize these components of risk, the District has obtained a number of insurance packages.

The Indiana Insurance Company, through the Ohio Schools' Council, provides building and personal property insurance as well as commercial inland marine insurance. The Indiana Insurance Company, through the Ohio Schools' Council, also provides public employee dishonesty coverage (commercial crime coverage).

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 9: **RISK MANAGEMENT** (Continued)

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

The Travelers Insurance Company, through the Ohio Schools' Council, provides boiler and machinery insurance. The Nationwide Insurance Company, through the Ohio Schools' Council, provides commercial general liability insurance, employer's liability insurance, employee benefits liability insurance, automobile liability insurance, and uninsured motorists insurance.

A \$100,000 public official bond for the Treasurer is maintained by Nationwide Agribusiness Insurance Company. Other employees handling money are also covered by performance bonds provided by Nationwide Mutual Insurance Company.

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Indiana Insurance	Building and Contents (\$1,000 deductible)	\$ 36,589,907
Indiana Insurance	Extra Expense Coverage	1,000,000
Indiana Insurance	Valuable Papers	100,000
Travelers Insurance	Boiler and Machinery (\$1,000 deductible)	30,000,000
Indiana Insurance	Inland Marine (\$250 deductible)	842,944
Indiana Insurance	Crime Insurance (\$1,000 deductible)	250,000
Coregis Insurance	Automobile Liability (\$1,000 deductible)	2,000,000
Coregis Insurance	Uninsured Motorists (\$1,000 deductible)	2,000,000
Nationwide Agribusiness Insurance	General Liability (per occurrence)	1,000,000
Nationwide Agribusiness Insurance	General Liability (total per year)	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

B. **Worker's Compensation**

The District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool for calendar year 2001 (Note 18). 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'

FAIRVIEW PARK CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001
 (CONTINUED)

NOTE 9: **RISK MANAGEMENT** (Continued)

B. **Worker's Compensation** (Continued)

compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the GRP.

C. **Employee Insurance Benefits**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool in which monthly payments are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$169,190 reported in the internal service fund at June 30, 2001 is based on an estimate provided by the third party administrator and the requirements of Government Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses (GASB 30). Changes in claims activity for the past three fiscal years are as follows:

	Balance at Beginning <u>of Year</u>	Current Year Claims	Claims Payments	Balance at End of Year
1999	\$ 262,695	\$ 777,561	\$ (795,004)	\$ 245,252
2000	\$ 245,252	\$ 840,560	\$ (834,580)	\$ 251,232
2001	\$ 251,232	\$1,176,370	\$(1,258,412)	\$ 169,190

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 10: **DEFINED BENEFIT PENSION PLANS**

A. **School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations, with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$111,801, \$126,029, and \$175,086, respectively; 60 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$44,733 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. **State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a stand-alone financial report. The report can be requested by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 10: **DEFINED BENEFIT PENSION PLANS** (Continued)

B. **State Teachers Retirement System** (Continued)

For the fiscal year ended June 30, 2001 plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$775,626, \$473,234, and \$470,874, respectively. 70 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$228,774, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11: **POSTEMPLOYMENT BENEFITS**

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

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 11: **POSTEMPLOYMENT BENEFITS** (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$367,402 for the fiscal year 2001. STRS pays health care benefits from the Health Care Reserve fund. The balance in the fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$309,026 during the 2001 fiscal year.

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

FAIRVIEW PARK CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001
 (CONTINUED)

NOTE 12: **EMPLOYEE BENEFITS**

A. **Compensated Absences**

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

Vacation Leave

Only administrative and school support personnel accumulate annual vacation leave. Accumulated unused vacation time is paid upon termination of employment. School support personnel accumulate annual vacation leave as follows:

<u>Completed Service</u>	<u>Vacation Leave</u>
After 1 year	2 weeks
6 thru 9 years	3 weeks
10 thru 24 years	4 weeks
25 or more years	5 weeks

Administrative personnel accumulate 20 days vacation leave. As of June 30, 2001, the District recorded, as a fund liability, a vacation leave liability of \$27,846 and \$48,933 in the General Long-Term Obligation Account Group.

Sick Leave

Each professional staff member is entitled to fifteen (15) days sick leave with pay for each year under contract. The sick leave accrues at the rate of one and one fourth (1-1/4) days for each calendar month under contract. Sick leave is cumulative to 40 days. After seven years, an employee is paid a severance benefit equal to 25 percent of the value of their accumulated sick leave, calculated at current wage rates, upon retirement with the balance being forfeited.

In place of the “1/4 and 40 day” limitation, employees who meet the eligibility requirements for retirement with either: **a)** twenty-five years of service and age 55 or over, **b)** five years of service and age 60 or over, or **c)** any age with thirty years of service shall be eligible for an extended severance pay benefit. This extended severance pay benefit shall be equal to the employee’s daily rate of pay times 100 percent of the employee’s first 165 days for certified and 145 days for non-certified of accrued but unused sick leave. As of June 30, 2001, the District recorded \$87,606 as a fund liability and \$4,536,683 in the general long-term obligations account group for sick pay-related severance benefits.

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 13: **LONG-TERM OBLIGATIONS**

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

	Principal Outstanding <u>6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/01</u>
Energy Improvement Bonds 1991 - 6.33%	\$ 250,000	\$ 0	\$ 115,000	\$ 135,000
Energy Improvement Bonds 2000 - 5.40%	0	698,802	0	698,802
Library Improvement Bonds 1995 - 5.53%	4,459,993	0	360,000	4,099,993
Total Long-Term Bonds	<u>4,709,993</u>	<u>698,802</u>	<u>475,000</u>	<u>4,933,795</u>
Pension Obligation	96,289	125,317	96,289	125,317
Compensated Absences	4,298,367	287,249	0	4,585,616
Capital Lease Obligation	1,736	0	1,196	540
Total General Long- Term Obligations	<u>\$ 9,106,385</u>	<u>\$1,111,368</u>	<u>\$ 572,485</u>	<u>\$ 9,645,268</u>

All bonds outstanding are general obligations of the District to which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligation account group. Payments of principal and interest relating to the liabilities of the energy improvement and library improvement bonds are recorded as expenditures in the debt service fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. The capital leases will be accounted for in the general long-term debt account group and paid from the general fund and capital projects fund.

Principal and interest requirements to retire general obligation debt at June 30, 2001, are as follows:

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 13: **LONG-TERM OBLIGATIONS** (Continued)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 488,802	\$ 220,472	\$ 709,274
2003	380,000	199,203	579,203
2004	207,109	376,654	583,763
2005	203,633	381,754	585,387
2006	194,251	392,491	586,742
2007-2011	2,235,000	625,491	2,860,491
2012-2014	1,225,000	92,532	1,317,532
	<u>\$ 4,933,795</u>	<u>\$ 2,288,597</u>	<u>\$ 7,222,392</u>

NOTE 14: **CAPITAL LEASES**

The District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the general fixed asset account group and the general long-term debt account group, respectively. The assets under the capital leases totaled \$5,966 at June 30, 2001. The leases are in effect through 2002.

The following is a schedule of future minimum lease payments under capital leases together with the net present value of the minimum lease payments as of June 30, 2001.

<u>Year Ending June 30</u>	<u>Amount</u>
2002	\$ 596
Total Minimum Lease Payment	596
Less: Amount Representing Interest	(56)
Net Present Value of Minimum Lease Payments	<u>\$ 540</u>

NOTE 15: **OPERATING LEASE**

The District is obligated under a certain lease accounted for as an operating lease through COMDOC. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreement are not reflected in the District's account group. During fiscal year 2001, expenditures for the operating lease totaled \$82,297. The following is a schedule of future minimum lease payments as of June 30, 2001:

FAIRVIEW PARK CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001
 (CONTINUED)

NOTE 15: **OPERATING LEASE** (Continued)

<u>Year Ending</u> <u>June 30</u>	<u>Lease</u> <u>Payment</u>
2002	\$ 82,297
2003	13,716
Total	<u>\$ 96,013</u>

NOTE 16: **INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2001 consists of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 93,000	\$ 0
Special Revenue:		
Entry Year Program	0	13,000
Eisenhower Grant	0	1,000
Title VI-B	0	3,500
Chapter One	0	8,500
Title VI	0	6,500
Preschool Disability	0	10,500
Total Special Revenue	0	43,000
Enterprise:		
Food Service	0	30,000
Uniform School Supply	0	10,000
Day Care Center	0	10,000
Total Enterprise	0	50,000
Total All Funds	\$ 93,000	\$ 93,000

FAIRVIEW PARK CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001
 (CONTINUED)

NOTE 17: **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains six enterprise funds to account for the operations of food service, uniform school supplies, day care center, adult education, swimming pool, and summer school consortium. Segment information related to these follows:

	Food Service	Uniform School Supplies	Day Care	Adult Education	Swimming Pool	Summer School	Total
Operating Revenues	\$ 198,964	\$ 10,706	\$ 485,273	\$ 0	\$ 17,953	\$ 11,500	\$ 724,396
Operating Expenses							
before Depreciation	241,391	11,925	534,965	0	2,195	7,055	797,531
Depreciation Expense	333	0	4,575	0	0	0	4,908
Operating Income (Loss)	(42,760)	(1,219)	(54,267)	0	15,758	4,445	(78,043)
Operating Grants	37,534	0	0	0	0	0	37,534
Net Income (Loss)	(5,226)	(1,219)	(54,267)	0	15,758	4,445	(40,509)
Net Working Capital	(22,507)	(1,861)	22,502	1,108	18,215	7,266	24,723
Total Assets	17,766	8,139	90,050	1,108	19,479	8,180	144,722
Total Equity	(60,264)	(1,861)	20,767	1,108	4,631	7,266	(28,353)

NOTE 18: **PUBLIC ENTITY RISK POOL**

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19: **JOINTLY GOVERNED ORGANIZATIONS**

A. **Lake Erie Education Computer Association (LEECA)**

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 19: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

A. **Lake Erie Education Computer Association (LEECA)** (Continued)

utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. In fiscal year 2001, the District paid \$26,817 to LEECA. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035.

B. **Polaris Career Center**

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special needs of the students. The Board of Education consists of representatives from the Board of each participating school district, independent of the Fairview Park City School District.

The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Fairview Park City School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. Financial information may be obtained by contacting the Polaris Career Center, 7285 Old Oak Blvd., Middleburg Heights, Ohio 44130.

C. **Ohio Schools' Council Association**

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. This jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each school district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating school districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2001, the District paid \$37,724 to the Council. Financial information can be obtained by

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 19: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

C. **Ohio Schools' Council Association** (Continued)

contacting Albert G. Vasek, Executive Secretary of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

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

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

The District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2001. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

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

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 20: **CONTINGENCIES**

A. **Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

B. **Litigation**

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

NOTE 21: **STATE SCHOOL FUNDING DECISION**

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

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

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

FAIRVIEW PARK CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(CONTINUED)

NOTE 21: **STATE SCHOOL FUNDING DECISION** (Continued)

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

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

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

NOTE 22: **SET ASIDE REQUIREMENTS**

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

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

FAIRVIEW PARK CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001
 (CONTINUED)

NOTE 22: **SET ASIDE REQUIREMENTS** (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Reserve</u>	<u>Totals</u>
Set-Aside Balance Carried				
Forward July 1, 2000	\$ 111,396	\$ (45,225)	\$ 326,773	\$ 392,944
Current Year Set-Aside				
Requirements	387,577	387,577	0	775,154
BWC Refund Received Prior				
to April 10, 2001	0	0	35,743	35,743
Qualifying Expenditures	(481,022)	(222,412)	0	(703,434)
Offsets	0	(898,802)	0	(898,802)
Total	<u>\$ 17,951</u>	<u>\$(778,862)</u>	<u>\$ 362,516</u>	<u>\$(398,395)</u>
Cash Balance Carried				
Forward to FY 2001	<u>\$ 17,951</u>	<u>\$ 0</u>	<u>\$ 362,516</u>	<u>\$ 380,467</u>
Amount Reserved for				
Textbook Subsidy				\$ 17,951
Amount Reserved for				
Budget Stabilization				362,516
Total Restricted Assets				<u>\$ 380,467</u>

Although the District had offsets and qualifying disbursements for capital improvements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore presented as being carried forward to the next fiscal year.

NOTE 23: **ENDOWMENT**

On December 11, 2000, the District accepted a one million dollar endowment from a former school graduate to create two annual scholarships. The endowment will be accounted for as a non-expendable trust with 55 percent of interest earned to be used for scholarships and 45 percent to be added to existing principal.

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**FAIRVIEW PARK CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**Schedule of Federal Awards Expenditures
for the year ended June 30, 2001**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U. S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
Food Distribution	NA	10.550	\$0	\$8,067	\$0	\$8,132
National School Lunch Program	043976 LL-P1/P4-01	10.555	24,330	0	24,330	0
	043976 LL-P1/P4-00		11,527	0	11,527	0
Total U. S. Department of Agriculture - Nutrition Cluster			35,857	8,067	35,857	8,132
U. S. Department of Education						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	043976 6B-SF-01	84.027	146,486	0	136,908	0
	043976 6B-SF-00		0	0	1,173	0
Special Education - Pre-School Grants	043976 PG-S1-01	84.173	15,676	0	15,676	0
	043976 PG-S1-99		(2,381)	0	0	0
Total Special Education Cluster			159,781	0	153,757	0
Grants to Local Educational Agencies (ESEA Title I)						
	043976 C1-S1-01	84.010	100,064	0	102,847	0
	043976 C1-S1-00		0	0	9,357	0
Subtotal			100,064	0	112,204	0
Innovative Educ. Program Strategies						
	043976 C2-S1-01	84.298	7,297	0	8,278	0
	043976 C2-S1-00		7,944	0	5,835	0
	043976 C2-S1-99		0	0	6,888	0
Subtotal			15,241	0	21,001	0
Eisenhower Professional Development						
	043976 MS-S1-01	84.281	6,525	0	23	0
	043976 MS-S1-00		0	0	6,533	0
	043976 MS-S1-99		0	0	2,666	0
			6,525	0	9,222	0
Drug Free Schools Grant						
	043976 DR-S1-01	84.186	8,205	0	7,018	0
	043976 DR-S1-00		0	0	400	0
	043976 DR-S1-99		0	0	503	0
Subtotal			8,205	0	7,921	0
Title VI-R - Class Size Reduction						
	043976 CR-S1-01	84.340	34,299	0	22,845	0
	043976 CR-S1-00		23,398	0	33,426	0
Subtotal			57,697	0	56,271	0
Goals 2000						
	043976 G2-S3-01	84.276	10,000	0	5,995	0
Subtotal			10,000	0	5,995	0

**FAIRVIEW PARK CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**Schedule of Federal Awards Expenditures
for the year ended June 30, 2001
(Continued)**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U. S. Department of Education						
<i>Passed Through the Ohio Department of Education (Continued)</i>						
Chapter 1 - Capital Expenses	043976 CX-S1-99	84.216	89,627	0	146,556	0
			89,627	0	146,556	0
Total U. S. Department of Education			447,140	0	512,927	0
Total Federal Assistance			\$482,997	\$8,067	\$548,784	\$8,132

The accompanying notes to this schedule are an integral part of this schedule.

**FAIRVIEW PARK CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

JUNE 30, 2001

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (Schedule) summarizes the activity of the District's federal award programs. The Schedule has been prepared 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 general purpose financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Values may change from month to month and are entirely subjective. At June 30, 2001, the District had no significant food commodities in inventory.

NOTE C - NATIONAL SCHOOL LUNCH PROGRAM

Federal monies received by the District for this program are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance.

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OFFICE OF THE AUDITOR**

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

Board of Education
Fairview Park City School District
Cuyahoga County
20770 Lorain Road
Fairview Park, Ohio 44126

We have audited the financial statements of the Fairview Park City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated August 15, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated August 15, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated August 15, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end of the last name.

Jim Petro
Auditor of State

August 15, 2002



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Lausche Building
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Fairview Park City School District
Cuyahoga County
20770 Lorain Road
Fairview Park, Ohio 44126

Compliance

We have audited the compliance of the Fairview Park City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District'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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated August 15, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

August 15, 2002

FAIRVIEW PARK CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 JUNE 30, 2001

SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 §.505

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Sec. .510?</i>	No
(d)(1)(vii)	<i>Major Programs (list)</i>	Special Education Cluster: Title VI-B CFDA #84.027 and Pre-School CFDA # 84.173 Chapter I – Capital Expenses CFDA #84.216
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

**FAIRVIEW PARK CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2001**

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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FAIRVIEW PARK CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 12, 2002**