

***FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL
DISTRICT***

LAKE COUNTY, OHIO

AUDIT REPORT

For the Years Ended June 30, 2010 and 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Fairport Harbor Exempted Village School District, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 22, 2011

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FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Audit Report
For the Years Ended June 30, 2010 and 2009

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of the Fairport Harbor Exempted Village School District, Lake County, Ohio (the District), as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity-wide statements, and assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

In our opinion, the accompanying financial statements do not present fairly, the financial position, results of operations, and cash flows, where applicable, of the Fairport Harbor Exempted Village School District as of and for the years ended June 30, 2010 and 2009 in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 14, the District reclassified several funds to Private Purpose Trust funds.

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

In accordance with *Government Auditing Standards*, we have issued our report dated December 17, 2010, on our consideration of Fairport Harbor Exempted Village School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or compliance. That report is the integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

Charles E. Harris & Associates, Inc.

December 17, 2010

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2010

	Governmental Fund Types			(Memorandum Only) Total
	General	Special Revenue	Capital Projects	
RECEIPTS:				
From Local Sources:				
Property Taxes	\$ 2,458,211	-	\$ 72,748	\$ 2,530,959
Tuition	686,602	-	-	686,602
Earnings on Investments	1,720	-	-	1,720
Extracurricular	-	\$ 13,562	-	13,562
Classroom Materials and Fees	8,129	-	-	8,129
Transportation Fees	-	-	-	-
Other Local Revenues	47,182	7,038	-	54,220
Intergovernmental - State	1,754,776	5,000	9,481	1,769,257
Intergovernmental - Federal	-	403,276	-	403,276
Total Cash Receipts	4,956,620	428,876	82,229	5,467,725
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,364,694	111,302	37,383	2,513,379
Special	440,570	239,326	25,549	705,445
Vocational	16,334	-	-	16,334
Other	199,014	-	-	199,014
Pupils	169,101	24,400	-	193,501
Instructional Staff	24,241	3,359	-	27,600
Board of Education	13,912	-	-	13,912
Administrative	645,712	16,994	-	662,706
Fiscal Services	247,793	-	924	248,717
Business	29,350	-	-	29,350
Operations and Maintenance	507,929	-	65,470	573,399
Pupil Transportation	3,966	17,990	-	21,956
Central	9,648	5,000	-	14,648
Operations of Non-Instructional Services	14,499	-	-	14,499
Extracurricular Activities	232,639	30,799	-	263,438
Debt Service:				
Retirement of Principal	-	-	170,000	170,000
Interest & Fiscal Charges	-	-	9,673	9,673
Total Cash Disbursements	4,919,402	449,170	308,999	5,677,571
Cash Receipts Over/(Under) Cash Disbursements	37,218	(20,294)	(226,770)	(209,846)
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	704	-	-	704
Proceeds of Notes	-	-	150,000	150,000
Transfers - In	-	33,300	29,700	63,000
Advances - In	18,000	13,400	-	31,400
Transfers - Out	(63,000)	-	-	(63,000)
Advances - Out	(17,100)	(17,000)	-	(34,100)
Refund of Prior Years Expenditure	59,791	158	-	59,949
Refund of Prior Years Receipt	-	(110)	-	(110)
Total Other Financing Sources (Uses)	(1,605)	29,748	179,700	207,843
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	35,613	9,454	(47,070)	(2,003)
Fund Cash Balance July 1, 2009	567,765	80,529	184,421	832,715
Fund Cash Balance, June 30, 2010	\$ 603,378	\$ 89,983	\$ 137,351	\$ 830,712
Reserve for Encumbrances, June 30, 2010	\$ 67,691	\$ 12,625	\$ 7,475	\$ 87,791

See Accompanying Notes to the Financial Statements

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended June 30, 2010

	Proprietary Fund Types	Fiduciary Fund Types		(Memorandum Only) Total
	Internal Service	Private Purpose Trust	Agency	
OPERATING CASH RECEIPTS:				
Classroom Materials & Fees	\$ 104	-	-	\$ 104
Extracurricular Activities	-	-	\$ 23,702	23,702
Earnings on Investments	-	\$ 15	-	15
Miscellaneous	50,864	2,755	-	53,619
Total Operating Cash Receipts	50,968	2,770	23,702	77,440
OPERATING CASH DISBURSEMENTS:				
Purchased Services	-	-	949	949
Other Operating Expenses	50,864	2,250	23,336	76,450
Total Operating Cash Disbursements	50,864	2,250	24,285	77,399
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	104	520	(583)	41
Advances - In	-	-	3,700	3,700
Advances - Out	-	-	(1,000)	(1,000)
Net Receipts Over Disbursements	104	520	2,117	2,741
Fund Cash Balance, July 1, 2009	811	24,965	15,720	41,496
Fund Cash Balance, June 30, 2010	\$ 915	\$ 25,485	\$ 17,837	\$ 44,237

See Accompanying Notes to the Financial Statements

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2009

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	Total
RECEIPTS:				
From Local Sources:				
Property Taxes	\$ 2,502,049	-	\$ 73,367	\$ 2,575,416
Tuition	792,924	-	-	792,924
Earnings on Investments	20,760	-	-	20,760
Extracurricular	-	\$ 16,117	-	16,117
Classroom Materials and Fees	9,067	-	-	9,067
Other Local Revenues	46,533	15,497	500	62,530
Intergovernmental - State	1,794,594	11,000	15,594	1,821,188
Total Cash Receipts	5,165,927	42,614	89,461	5,298,002
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,380,979	4,262	70,211	2,455,452
Special	695,190	-	-	695,190
Vocational	10,368	-	-	10,368
Other	143,419	-	-	143,419
Pupils	171,331	12,557	-	183,888
Instructional Staff	63,414	2,041	-	65,455
Board of Education	16,986	-	-	16,986
Administrative	599,665	3,221	-	602,886
Fiscal Services	241,296	-	938	242,234
Business	32,073	-	-	32,073
Operations and Maintenance	567,879	-	12,121	580,000
Pupil Transportation	1,831	-	-	1,831
Central	5,637	6,000	11,009	22,646
Operations of Non-Instructional Services	17,902	-	-	17,902
Extracurricular Activities	216,008	30,835	-	246,843
Debt Service:				
Retirement of Principal	-	-	190,000	190,000
Interest & Fiscal Charges	-	-	9,095	9,095
Total Cash Disbursements	5,163,978	58,916	293,374	5,516,268
Cash Receipts Over/(Under) Cash Disbursements	1,949	(16,302)	(203,913)	(218,266)
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	805	-	-	805
Proceeds of Notes	-	-	170,000	170,000
Transfers - In	-	-	29,100	29,100
Advances - In	10,000	17,000	-	27,000
Transfers - Out	(29,100)	-	-	(29,100)
Advances - Out	(18,000)	(6,000)	-	(24,000)
Refund of Prior Years Expenditure	1,825	-	-	1,825
Refund of Prior Years Receipt	-	(1)	-	(1)
Total Other Financing Sources (Uses)	(34,470)	10,999	199,100	175,629
Excess of Cash Receipts and Other Financing				
Sources Over (Under) Cash Disbursements and Other Financing Uses	(32,521)	(5,303)	(4,813)	(42,637)
Fund Cash Balance July 1, 2008	600,286	85,832	189,234	875,352
Fund Cash Balance, June 30, 2009	\$ 567,765	\$ 80,529	\$ 184,421	\$ 832,715
Reserve for Encumbrances, June 30, 2009	\$ 102,861	\$ 985	\$ -	\$ 103,846

See Accompanying Notes to the Financial Statements

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended June 30, 2009

	Proprietary Fund Types	Fiduciary Fund Types		(Memorandum Only) Total
	Internal Service	Private Purpose Trust	Agency	
OPERATING CASH RECEIPTS:				
Classroom Materials & Fees	\$ 104	-	-	\$ 104
Earnings on Investments	-	\$ 169	-	169
Extracurricular Activities	-	-	\$ 23,443	23,443
Miscellaneous	595,204	2,800	-	598,004
Total Operating Cash Receipts	595,308	2,969	23,443	621,720
OPERATING CASH DISBURSEMENTS:				
Purchased Services	-	-	2,414	2,414
Other Operating Expenses	595,204	2,000	21,013	618,217
Total Operating Cash Disbursements	595,204	2,000	23,427	620,631
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	104	969	16	1,089
Advances - In	-	-	1,000	1,000
Advances - Out	-	-	(4,000)	(4,000)
Net Receipts Over Disbursements	104	969	(2,984)	(1,911)
Fund Cash Balance, July 1, 2008	707	23,996	18,704	43,407
Fund Cash Balance, June 30, 2009	\$ 811	\$ 24,965	\$ 15,720	\$ 41,496

See Accompanying Notes to the Financial Statements

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

**Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Fairport Harbor Exempted Village School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is located in Fairport Harbor, Ohio, Lake County.

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

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code 117-2-03 to prepare its financial report in accordance with accounting principles generally accepted in the United States of America, the District has chosen to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received and cash rather than when they are earned, and disbursements are recognized when paid rather than when the liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved). By virtue of Ohio law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

C. CASH

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

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING

The District maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

1. General Fund

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

2. Special Revenue

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

Title VI-B Fund- This fund ensures that all children with disabilities have available to them a free appropriate public education which emphasizes special education and related services designed to meet their unique needs.

Title I Fund- This fund ensures that all children with math and reading difficulties are provided tutoring services designed to meet their unique needs

Fiscal Stabilization Fund – This fund was created to support and restore elementary, secondary and postsecondary education, early childhood programs and services.

3. Capital Projects

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.

Permanent Improvement Fund- This fund expends funds for continuous capital improvements within the District.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** – (continued)

5. **Internal Service Fund**

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

Health Consortium Fund-This fund accounts for monies to pay claims for employees under the District's self-insurance plan (for fiscal year 2009). In fiscal year 2010, the District switched to coverage with traditional insurance provider.

FIDUCIARY FUND TYPES

6. **Private Purpose Trust Funds**

These funds are used to account for trust agreements under which the principal and income benefit individuals, private organizations, or other governments. These trust funds do not support the school district's own programs.

Endowments- This fund accounts for scholarship programs for students.

7. **Agency Funds**

Agency Funds are used to account for assets held by the District, as an agent for individuals, private organizations or other governmental units and/or other funds.

Student Activities- This fund accounts for student activity programs which have student participation in the activity and have students involved in the management of the program.

E. **BUDGETARY PROCESS**

1. **Tax Budget**

A budget of estimated cash receipts and disbursements is submitted to the Lake County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

E. **BUDGETARY PROCESS** – (continued)

2. **Appropriations**

An appropriation measure is adopted by the District on or before the first day of July in each year for the period July 1 to June 30 of the following year. The appropriation measure is submitted to the County Auditor, who in turn, submits it to the County Budget Commission. The appropriation measure controls expenditures of the District. The District may, by resolution, transfer funds from one line item to another in the appropriation measure, reduce or increase any item, create new items, and make additional appropriations, subject to availability of funds and to the approval of the County Budget Commission. The District's legal level of control is set at the fund level. The budget figures in Note 3 represent the final appropriation amounts including all amendments and modifications.

3. **Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates.

4. **Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

A summary of 2010 budgetary activity appears in Note 3.

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

**Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects the financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

2. CASH AND INVESTMENTS

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. During the fiscal year, all investments were limited to Federal agency bonds and notes, certificates of deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010 and 2009.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings were recorded to the General Fund. Interest income earned in fiscal year 2010 totaled \$1,720 and \$20,760 in fiscal year 2009.

The District maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

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

**Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009**

2. CASH AND INVESTMENTS- (continued)

	2010	2009
Demand Deposits	\$ (28,730)	\$ (95,222)
StarOhio	903,679	969,433
Total Deposits, Investments and Cash	\$ 874,949	\$ 874,211

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public depository pool.

The negative deposits are due to the District utilizing a controlled disbursement cash management system.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2010 is as follows:

	Budgeted Receipts	Actual Receipts	Variance
General	\$ 5,034,369	\$ 5,035,115	\$ 746
Special Revenue	475,734	475,734	-
Capital Projects	261,929	261,929	-
Private Purpose Trust	2,770	2,770	-
Internal Service	50,968	50,968	-

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 5,483,676	\$ 5,067,193	\$ 416,483
Special Revenue	557,248	478,905	78,343
Capital Projects	446,349	316,474	129,875
Private Purpose Trust	17,735	2,250	15,485
Internal Service	51,779	50,864	915

Budgetary activity for the year ending June 30, 2009 is as follows:

	Budgeted Receipts	Actual Receipts	Variance
General	\$ 5,173,699	\$ 5,178,557	\$ 4,858
Special Revenue	59,614	59,614	-
Capital Projects	259,458	288,561	29,103
Private Purpose Trust	2,670	2,969	299
Internal Service	595,308	595,308	-

**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009**

3. BUDGETARY ACTIVITY – (continued)

	<u>Appropriation Authority</u>		<u>Budgetary Expenditures</u>		<u>Variance</u>
General	\$ 5,794,993	\$	5,313,939	\$	481,054
Special Revenue	146,645		65,902		80,743
Capital Projects	477,795		293,374		184,421
Private Purpose Trust	16,665		2,000		14,665
Internal Service	596,015		595,204		811

4. PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Lake County Auditor at 35% of appraised market value. All property is required to be revalued every six years with a triennial update. The last update was completed in 2009.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar years 2010 and 2009 represent the collection of 2010 and 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied April 1, 2009 on the values listed as of December 31, 2009; taxes levied in calendar year 2009 were on values listed as of December 31, 2008. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Lake County Treasurer collects property taxes on behalf of the District. The Lake County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

The full tax rate at the fiscal years ended June 30, 2010 and 2009 was \$83.16 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal years 2010 and 2009 taxes were collected were as follows:

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

**Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009**

4. PROPERTY TAXES - (continued)

Lake County	2010	2009
Real Property		
Residential/Agricultural	\$ 48,120,840	\$ 52,584,750
Commerical/Industrial/Public Utilities	13,162,060	13,198,720
Tangible Personal Property		
PUCO Personal	3,023,110	2,859,730
Telephone PP	31,820	63,640
Total Valuation	\$ 64,337,830	\$ 68,706,840

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 E. Broad Street, Columbus, Ohio 43215.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations and death benefits with the remainder being used to fund health care benefits; for the fiscal year 2009 (the latest information available), 12.78% of annual covered salary was the portion used to fund pension obligations and death benefits. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$80,784, \$76,550 and \$86,473, respectively; 100 percent was contributed for all fiscal years.

B. State Teachers Retirement System

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

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009

5. DEFINED BENEFIT PENSION PLANS – (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2009 (the latest information available), plan members are required to contribute 10 percent of their annual covered salary. The School District is required to contribute 14 percent; 13% 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employers contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$286,557, \$218,033, and \$318,424, respectively; 100 percent has been contributed for all fiscal years.

6. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care costs in the form of a monthly premium. Both systems are funded on a pay-as-you-go basis.

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

**Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009**

6. POSTEMPLOYMENT BENEFITS (continued)

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 the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the Years Ended June 30, 2010 and 2009 (the latest information available) the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$23,064 during fiscal year 2010 and \$21,884 in 2009.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.7 billion at June 30, 2009 (the latest information available). For the year ended June 30, 2009, total health care costs paid by STRS were \$298.1 million and STRS had 129,659 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below the federal poverty levels.

For the year ended June 30, 2009 (the latest information available) employer contributions to fund health care benefits were 1.22% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year ended June 30, 2010, the minimum pay has been established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Health care claims expense decreased from \$226.4 million to \$215.4 million at June 30, 2009 (the latest information available). At June 30, 2009, SERS had net assets available for payment of health care benefits of \$376.5 million. SERS has approximately 203,133 members who are active and retired non-teaching public school employees. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$42,247 during the 2010 fiscal year and \$42,342 in 2009.

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

**Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009**

7. LONG-TERM DEBT OBLIGATIONS

	<u>Balance Outstanding 6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 6/30/09</u>
Governmental activities:				
HB 264 Project - 4.8%	\$ 190,000	\$170,000	\$ (190,000)	\$ 170,000
Total long-term obligations	<u>\$ 190,000</u>	<u>\$170,000</u>	<u>\$ (190,000)</u>	<u>\$ 170,000</u>

	<u>Balance Outstanding 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 6/30/10</u>
Governmental activities:				
HB 264 Project - 4.8%	\$ 170,000	\$150,000	\$ (170,000)	\$ 150,000
Total long-term obligations	<u>\$ 170,000</u>	<u>\$150,000</u>	<u>\$ (170,000)</u>	<u>\$ 150,000</u>

The HB 264 notes were issued for the purpose of paying costs of installations, modifications and remodeling of school buildings to conserve energy.

8. SET ASIDES

The District is required by State statute to annually set aside monies for purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and/or qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts were only used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

**Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009**

8. SET ASIDES – (continued)

During the fiscal years ended June 30, 2010 and 2009, the reserve activity were as follows:

<u>2010</u>	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2009	\$ 82,820	\$ 5,590	\$ 28,321
Current year set-aside requirement	95,610	95,610	-
Current year off-sets	-	-	-
Qualifying disbursements	<u>(107,058)</u>	<u>(125,881)</u>	<u>-</u>
Total	<u>\$ 71,372</u>	<u>\$ (24,681)</u>	<u>\$ 28,321</u>
Balance carried forward fiscal year 2011	<u>\$ 71,372</u>	<u>\$ -</u>	<u>\$ 28,321</u>

<u>2009</u>	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2008	\$ 105,876	\$ -	\$ 28,321
Current year set-aside requirement	90,570	90,570	-
Current year off-sets	-	-	-
Qualifying disbursements	<u>(113,626)</u>	<u>(84,980)</u>	<u>-</u>
Total	<u>\$ 82,820</u>	<u>\$ 5,590</u>	<u>\$ 28,321</u>
Balance carried forward fiscal year 2011	<u>\$ 82,820</u>	<u>\$ 5,590</u>	<u>\$ 28,321</u>

9. FUND TRANSFERS

During the fiscal year 2010, the District transferred out from the General Fund \$29,700 to the Permanent Improvement Fund to pay the Energy Conservation note. Also, the District transferred \$33,300 from the General Fund to the Athletic Fund to fund various obligations of that fund. During fiscal year 2009, the District transferred \$29,100 to the Permanent Improvement fund to pay the Energy Conservation Note. The applicable Ohio Revised Code compliance requirements were met.

10. JOINTLY GOVERNED ORGANIZATION

A. Auburn Career Center

The Auburn Career Center is a joint vocational School District that is a jointly governed organization among eleven School Districts. Each participating School District appoints one member to the Auburn Career Center's Board of Education. The students of each participating School District may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to representation on the board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

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

**Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009**

10. JOINTLY GOVERNED ORGANIZATION – (continued)

B. Lake/Geauga Computer Association

The Lake/Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member School Districts. Each of the School Districts support LGCA based upon a per pupil charge. The Executive Committee (governing board) consists of the superintendents and treasurers of the member School Districts. The degree of control exercised by any participating School District is limited to its representation on the governing board. LCGA's continued existence is not dependent on the School District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8221 Auburn Road, Painesville, Ohio 44077.

C. Ohio Schools Council

The Ohio Schools' Council (the "Council") is a jointly governed organization among its eighty-three member School Districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member School Districts. Each School District supports the Council by paying a one-time fee of \$500 and an annual participation fee. The Council's Board consists of seven (7) superintendents of the participating School Districts whose term rotates every year. During Fiscal Year 2010, the School District paid \$750 to the Council. The degree of control exercised by any School District is limited to its representation on the Board. Financial information can be obtained by contacting the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio, 44131.

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

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

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

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

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

**Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009**

10. JOINTLY GOVERNED ORGANIZATION – (continued)

D. Fairport Harbor Public Library

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

E. Public Entity Risk Pool

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

F. Health Care Benefits Risk Pool

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

11. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Employee Benefits Liability
- Commercial Umbrella Liability

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

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

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

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

**Notes To The Financial Statements
For the Years Ended June 30, 2010 and 2009**

12. CONTINGENT LIABILITIES

The District may be a defendant in various lawsuits. Although, the outcome of the lawsuits is not presently determinable, in the opinion of legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

13. COMPLIANCE

The District did not prepare its financial report in accordance with generally accepted accounting principles, contrary to Ohio Admin. Code 117-2-03.

14. PRIOR PERIOD ADJUSTMENT

Based on Auditor of State Audit Bulletin 2005-005, the Expendable Trust Fund was reclassified to a Private Purpose Fund Type. The Non-Expendable Trust Fund was renamed a Private Purpose Trust Fund Type.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the Fairport Harbor Exempted Village School District, Lake County, Ohio (District) as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 17, 2010, wherein we noted the District's financial statements did not present fairly the District's financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2010-001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, the Board of Education and others within the District. We intend it for no one other than these specified parties.

Charles E. Harris & Associates, Inc.

December 17, 2010

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

**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY
June 30, 2010 and 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001 – Noncompliance citation

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

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements and notes using the accounting basis the Auditor of State prescribes for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limits.

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

Management Response:

The District will complete the required financial statements for subsequent years.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2010 and 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain
2008-001	Failure to report on GAAP	No	Not Corrected. Repeated as Finding 2010-001
2008-002	Citation ORC § 9.38, not depositing in timely manner	Yes	Finding No Longer Valid

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted that the Board adopted an anti-harassment policy at its meeting on December 17, 2007.
2. We read the policy, noting it included the following requirements for Ohio Revised Code Section 3313.666 (B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any students on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident to be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any report incidents;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure from any student guilty of harassment, intimidation or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all report incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Charles E. Harris & Associates, Inc.
December 17, 2010



Dave Yost • Auditor of State

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 8, 2011