

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

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2013**

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



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 Independent Auditor's Report of the Fairport Harbor Exempted Village School District, Lake County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2012 through June 30, 2013. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 7, 2015

This page intentionally left blank.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances - All Governmental Types	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances - Proprietary and Similar Fiduciary Fund Types	4
Notes to the Financial Statements	5-19
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22
Schedule of Findings and Responses	22-25
Schedule of Prior Audit Findings and Recommendations	26
Independent Auditor's Report on Applying-Upon Procedures	27

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Education
Fairport Harbor Exempted Village School District
Fairport Harbor, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Fairport Harbor Exempted Village School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2013 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion

As described in Note 1 of the financial statements, the District prepared these financial statements using the cash accounting basis permitted by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows of the District as of and for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

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

James G. Zupka, CPA, President Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.01.30 09:44:06 -05'00'

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

January 15, 2015

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

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Balances – All Governmental Types
For the Fiscal Year Ended June 30, 2013

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Taxes	\$2,685,187	\$ -	\$69,198	\$ 2,754,385
Tuition	896,901	-	-	896,901
Earnings on Investments	248	-	-	248
Extracurricular Activities	2,096	24,903	-	26,999
Classroom Materials & Fees	7,988	-	-	7,988
Miscellaneous	80,760	37,973	-	118,733
Intergovernmental	1,552,300	143,294	-	1,695,594
Total Cash Receipts	<u>5,225,480</u>	<u>206,170</u>	<u>69,198</u>	<u>5,500,848</u>
Cash Disbursements				
Instruction:				
Regular	2,456,612	15,883	9,894	2,482,389
Special	394,362	247,274	-	641,636
Vocational	6,646	-	-	6,646
Other	263,461	-	-	263,461
Supporting Services:				
Pupil	196,197	78,688	-	274,885
Instructional Staff	74,126	30,185	-	104,311
Board of Education	11,812	-	-	11,812
Administration	450,046	-	-	450,046
Fiscal Services	190,333	-	7,774	198,107
Business	27,788	-	-	27,788
Operation and Maintenance	547,769	-	7,579	555,348
Pupil Transportation	2,769	12,187	-	14,956
Central Services	13,935	-	2,037	15,972
Operation of Non-Instructional Services	21,658	-	-	21,658
Extracurricular Activities	175,335	63,195	-	238,530
Debt Service:				
Principal	-	-	120,000	120,000
Interest	-	-	5,370	5,370
Total Cash Disbursements	<u>4,832,849</u>	<u>447,412</u>	<u>152,654</u>	<u>5,432,915</u>
Total Receipts Over/(Under) Disbursements	392,631	(241,242)	(83,456)	67,933
Other Financing Receipts (Disbursements):				
Proceeds from Sale of Notes	-	-	80,000	80,000
Total Other Financing Receipts (Disbursements)	<u>-</u>	<u>-</u>	<u>80,000</u>	<u>80,000</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	392,631	(241,242)	(3,456)	147,933
Fund cash balances, July 1, 2012	<u>212,662</u>	<u>11,598</u>	<u>62,619</u>	<u>286,879</u>
Restricted	67,117	1,927	59,163	128,207
Assigned	128,969	-	-	128,969
Unassigned (Deficit)	<u>409,207</u>	<u>(231,571)</u>	<u>-</u>	<u>177,636</u>
Fund cash balances, June 30, 2013	<u>\$ 605,293</u>	<u>\$ (229,644)</u>	<u>\$59,163</u>	<u>\$ 434,812</u>

The Notes to the Financial Statements are an integral part of this Statement.

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

Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Balances – Proprietary and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2013

	Proprietary Fund Types			Fiduciary Fund Types		Totals (Memorandum Only)
	Internal Service	Private Purpose	Agency			
Operating Cash Receipts:						
Extracurricular Activities	\$ -	\$ -	\$ 52,885			\$ 52,885
Miscellaneous	-	1,269	-			1,269
Total Operating Cash Receipts	<u>-</u>	<u>1,269</u>	<u>52,885</u>			<u>54,154</u>
Operating Cash Disbursements						
Other	-	1,500	49,944			51,444
Total Operating Cash Disbursements	<u>-</u>	<u>1,500</u>	<u>49,944</u>			<u>51,444</u>
Net Receipts over Disbursements	-	(231)	2,941			2,710
Fund Cash Balances July 1, 2012	<u>915</u>	<u>19,389</u>	<u>25,764</u>			<u>46,068</u>
Fund Cash Balances June 30, 2013	<u>\$ 915</u>	<u>\$ 19,158</u>	<u>\$ 28,705</u>			<u>\$ 48,778</u>

The Notes to the Financial Statements are an integral part of this Statement.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013

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 Fiscal Year Ended June 30, 2013
(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 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.

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.

4. 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.

Fiduciary Funds:

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.

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.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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.

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 2013 budgetary activity appears in Note 3.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

F. FUND BALANCE

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

1. Non-Spendable

The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

2. Restricted

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

3. Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

4. Assigned

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Education or a District official delegated that authority by resolution, or by State Statute.

5. Unassigned

The unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification would be used only to report a deficit balance.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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

G. 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.

H. 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.

I. 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, the State Treasury Asset Reserve of Ohio (STAR Ohio).

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, 2013.

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 2013 was \$248.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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:

	2013
Demand Deposits	\$ (103,443)
Star Ohio	587,033
Total Deposits, Investments and Cash	\$ 483,590

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, 2013 is as follows:

2013 Budgeted vs. Actual Receipts			
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 5,600,102	\$ 5,221,667	\$ (378,435)
Special Revenue	766,616	211,248	(555,368)
Capital Projects	361,799	149,198	(212,601)
Private Purpose Trust	22,415	-	(22,415)
Internal Service	64,621	52,887	(11,734)

2013 Appropriation vs. Actual Budgetary Basis Disbursements			
	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 5,200,000	\$ 4,829,081	\$ 370,919
Special Revenue	839,692	452,678	387,014
Capital Projects	210,000	152,654	57,346
Private Purpose Trust	8,000	-	8,000
Internal Service	915	-	915

**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)**

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 percent of appraised market value. All property is required to be revalued every six years with a triennial update. The last update was completed in 2012.

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 year 2013 represent the collection of 2013 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 2013 were levied April 1, 2012 on the values listed as of December 31, 2012; taxes levied in calendar year 2012 were on values listed as of December 31, 2012. 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 percent of market value and personal property is assessed at 100 percent 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 year ended June 30, 2013 was \$88.83 per \$1,000 of assessed valuation. The assessed values of real and public utility property on which the fiscal year 2013 taxes were collected were as follows:

<u>Lake County</u>	<u>2013</u>
Total Valuation	<u>\$ 50,231,480</u>

Amounts are only available in total from Lake County.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description -The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy -Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at 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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$67,085, \$86,206 and \$84,389, respectively; 100 percent was contributed for all fiscal years.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

B. State Teachers Retirement System

Plan Description -The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates were established by the State Teachers Retirement Board, upon recommendations 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 member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$298,848, \$318,583 and \$317,748, respectively; 100 percent for all fiscal years.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

6. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy- State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$21,344, \$38,849 and \$38,780, respectively; 100 percent has been contributed for all fiscal years.

**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)**

The Retirement Board, acting with advice for the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,790, \$4,158 and \$4,063 respectively; 100 percent has been contributed for all fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$22,988, \$22,756 and \$22,696, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

7. LONG-TERM DEBT OBLIGATIONS

	Balance Outstanding <u>6/30/2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>6/30/2013</u>
Governmental Activities:				
HB 264 Project - 4.8%	<u>\$ 120,000</u>	<u>\$ 80,000</u>	<u>\$ (120,000)</u>	<u>\$ 80,000</u>

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

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

8. SET ASIDES

The District is required by State statute to annually set aside monies for capital improvements in each year. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. The School District did not have offsets and/or qualifying disbursements during the year that reduced the set-aside amounts below zero for 2013, these extra amounts will be carried forward to 2014. 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.

During the fiscal year ended June 30, 2013, the reserve activity was as follows:

	2013
Capital Acquisition	
Set Aside Balance	\$ 24,688
Yearly Set Aside Requirement	86,934
Off Sets	(44,505)
Qualifying Disbursements	-
Total	\$ 67,117
 Balance Carried Forward	 \$ 67,117

9. JOINTLY GOVERNED ORGANIZATIONS

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.

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.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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 2013, 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.

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

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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.

10. 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.

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY, OHIO
Notes To The Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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.

Contrary to Ohio Revised Code Section 5705.39, the District had several funds that had appropriations exceeding estimated resources. Contrary to Ohio Revised Code Section 5705.41(B), the District had several funds that had expenditures plus encumbrances exceeding appropriations. Contrary to Section 5705.10, the District had several funds that had negative fund balances at year end.

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

To the Members of the Board of Education
Fairport Harbor Exempted Village School District
Fairport Harbor, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fairport Harbor Exempted Village School District, Lake County, Ohio, (the District) as of and for the year ended June 30, 2013 and the related notes to the financial statements and have issued our report thereon dated January 15, 2015 wherein we issued an adverse opinion on the District's accompanying financial statements because they do not present fairly the financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fairport Harbor Exempted Village School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Responses as items **2013-001, 2013-002, 2013-003 and 2013-004.**

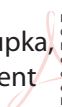
District's Responses to Findings

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

Purpose of this Report

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

James G. Zupka,
CPA, President



Digitally signed by James G. Zupka,
CPA, President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc.,
ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.01.30 09:45:16 -05'00'

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

January 15, 2015

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013

Finding Number 2013-001 - Noncompliance Citation - Annual Financial Report

Condition/Criteria

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

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

Cause/Effect

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

Recommendations

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

Client Responses

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

FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (Continued)
JUNE 30, 2013

Finding Number 2013-002 - Material Noncompliance - Negative Cash Fund Balances

Condition/Criteria

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

During our review of the District's records, we noted that several funds had negative cash fund balances at June 30, 2013:

Special Revenue Funds

Public School Support	\$ 976
Race to the Top	139,822
IDEA, Part B	162,127
Title II D	40
Title I	47,670

Cause/Effect

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

Recommendation

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

Client Response

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

**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (Continued)
JUNE 30, 2013**

Finding Number 2013-003 - Material Noncompliance - Expenditures Plus Encumbrances Exceeding Appropriations Plus Prior Year Encumbrances

Condition/Criteria

Ohio Revised Code Section 5705.41(B) prohibits a School District from expending money unless it has been appropriated.

Cause/Effect

During our review of budgetary procedures, we noted that the following funds had expenditures plus encumbrances that exceeded appropriations plus prior year encumbrances, which is contrary to Ohio Revised Code Section 5705.41(B).

<u>Fund</u>	<u>Appropriations Plus Prior Year Encumbrances</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Student Managed Activities	\$ 39,704	\$ 52,768	\$ (13,064)
Race to the Top	18,158	155,810	(137,652)
Title VI B	59,919	172,095	(112,176)

Recommendation

We recommend that the District exercise due care to ensure expenditures plus encumbrances do not exceed appropriations plus prior year encumbrances. This will assist the District in avoiding negative fund balances and also ensure they are in compliance with Ohio Revised Code Section 5705.41(B).

Client Response

The District will exercise due care to ensure that actual expenditures do not exceed actual final appropriations.

**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (Continued)
JUNE 30, 2013**

Finding Number 2013-004 - Material Noncompliance - Appropriations Exceeding Estimated Resources

Condition/Criteria

Ohio Revised Code Section 5705.39 prohibits appropriations from each fund exceeding the total of the estimated resources.

Cause/Effect

During our compliance testing, we noted several funds that had final appropriations exceeding final estimated resources. Ohio Revised Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources (estimated revenues plus encumbered fund balances).

<u>Fund</u>	<u>Final Estimated Resources</u>	<u>Final Appropriations</u>	<u>Variance</u>
District Managed Activities	\$ 30,650	\$ 73,100	\$ (42,450)
EMIS	0	5,000	(5,000)
Race to the Top	178,859	307,000	(128,141)
IDEA	172,935	181,550	(8,615)
Classroom Reduction	35,170	39,327	(4,157)

Recommendation

We recommend that the District follow the guidance provided in Ohio Revised Code Section 5705.39 by amending the appropriations to a level that does not exceed the amended certificate.

Client Response

The District will follow the guidance provided in Ohio Revised Code Section 5705.39 by amending the appropriations to a level that does not exceed the amended certificate.

**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT
LAKE COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain.
2012-001	OAC 117-2-03(B) - Failure to prepare report in accordance with GAAP	No	Repeat - 2013-001
2012-002	OAC 117-6-02 - Appropriations Legal level of Control	Yes	Corrective Action Taken
2012-003	ORC 5705.41(B) - Expending money only with Appropriations	No	Repeat - 2013-003
2012-004	ORC 5705.39 - Total Appropriations should not exceed estimated resources	No	Repeat - 2013-004
2012-005	ORC 5705.10 - Negative fund cash balances	No	Repeat - 2013-002

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Fairport Harbor Exempted Village School District
Fairport Harbor, Ohio

To the Board of Education:

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

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

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

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

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

James G. Zupka, CPA,
President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G.
Zupka, CPA, Inc., ou=Accounting,
email=jgzupka@siglobal.net, c=US
Date: 2015.01.30 09:46:02 -0500

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

January 15, 2015



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
MAY 19, 2015**