

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Varney, Fink & Associates, Inc.
Certified Public Accountants



Mary Taylor, CPA
Auditor of State

Board of Education
Copley-Fairlawn City School District
3797 Ridgewood Road
Copley, Ohio 44321

We have reviewed the *Independent Auditor's Report* of the Copley-Fairlawn City School District, Summit County, prepared by Varney, Fink & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. 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 Copley-Fairlawn City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 6, 2009

This Page is Intentionally Left Blank.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

<i>INDEPENDENT AUDITOR'S REPORT</i>	1	
<i>Management's Discussion and Analysis</i>	3	
 <i>BASIC FINANCIAL STATEMENTS</i>		
Government-Wide Financial Statements:		
Statement of Net Assets	12	
Statement of Activities	13	
Fund Financial Statements:		
Balance Sheet – Governmental Funds	14	
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15	
Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds	16	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) Basis and Actual – General Fund	18	
Statement of Fund Net Assets – Internal Service Fund	19	
Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Fund	20	
Statement of Cash Flows – Internal Service Fund	21	
Statement of Fiduciary Net Assets – Fiduciary Funds	22	
Statement of Changes in Fiduciary Net Assets Private Purpose Trust Fund	23	
Notes to the Basic Financial Statements	24	
 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>		48
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	50	
Schedule of Expenditures of Federal Awards	52	
Notes to the Schedule of Expenditures of Federal Awards	53	
Schedule of Findings and Questioned Costs.....	54	

INDEPENDENT AUDITOR'S REPORT

Copley-Fairlawn City School District
3797 Ridgewood Road
Copley, OH 44321

To Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Copley-Fairlawn City School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2008 and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2009 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 over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

INDEPENDENT AUDITOR'S REPORT (continued)

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

February 19, 2009

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

This discussion and analysis of Copley-Fairlawn City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- General revenues accounted for \$30,899,266 or 89.99% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$3,438,304 or 10.01% of total revenues of \$34,337,570.
- Governmental expenditures totaled \$34,427,277; program revenues offset only \$3,438,304 of these expenses. General revenues of \$30,899,266 were not adequate to provide for these programs.
- Expenses directly related to the instruction of students totaled \$19,877,615, or 57.74% of all governmental expenditures.
- At the end of the fiscal year, the general fund had a balance of \$8,030,625, a decrease of \$813,625 over the prior year.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Copley-Fairlawn City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2008?" The statement of net assets and statement of activities are designed to answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the School District's activities are considered to be all governmental activities.

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's only major governmental fund is the general fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

	<u>Governmental Activities</u>	
	<u>2008</u>	Restated <u>2007</u>
Assets		
Current and other assets	\$ 37,976,142	\$ 42,115,338
Capital assets, net of depreciation	<u>20,695,187</u>	<u>18,443,003</u>
Total assets	<u>58,671,329</u>	<u>60,558,341</u>
Liabilities		
Current and other liabilities	26,973,050	27,738,567
Long-term liabilities:		
Due within one year	1,598,279	1,126,956
Due in more than one year	<u>8,956,532</u>	<u>11,267,887</u>
Total liabilities	<u>37,527,861</u>	<u>40,133,410</u>
Net Assets		
Invested in capital assets, net of debt	12,027,482	8,039,981
Restricted	1,516,622	4,558,836
Unrestricted	<u>7,599,364</u>	<u>8,634,358</u>
Total net assets	<u>\$ 21,143,468</u>	<u>\$ 21,233,175</u>

Over time, net assets can serve as a useful indicator of a government's financial position. During fiscal year 2008, the School District had a decrease in net assets of \$89,707.

Capital assets, net of related debt reported on the government-wide statements represents a large component of net assets. Capital assets include land, construction in progress, land improvements, buildings, furniture and equipment, and vehicles, all of which are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$1,516,622, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$725,374 is restricted for debt service payments, \$534,453 is restricted for capital projects and \$256,795 is restricted for other purposes. The remaining balance of net assets of \$7,599,364 is unrestricted.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

Table 2 shows change in net assets for fiscal year 2008 compared to fiscal year 2007.

Table 2
Change in Net Assets

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,553,070	\$ 1,664,179
Operating grants, contributions and interest	1,869,085	1,807,391
Capital grants and contributions	16,149	29,755
General revenues:		
Property taxes	24,211,508	25,365,276
Grants and entitlements	5,855,459	5,005,579
Investment earnings	618,134	912,680
Miscellaneous	214,165	139,561
Total revenues	<u>34,337,570</u>	<u>34,924,421</u>
Program Expenses		
Instruction:		
Regular	16,780,412	15,677,995
Special	2,345,747	2,127,101
Vocational	751,456	782,401
Support services:		
Pupils	1,629,923	1,545,985
Instructional staff	1,618,478	1,434,474
Board of education	147,645	158,545
Administration	1,835,186	1,711,190
Fiscal	767,591	1,078,907
Business	127,352	131,817
Operation and maintenance of plant	3,421,627	4,066,502
Pupil transportation	1,575,681	1,437,803
Central	218,490	199,588
Operation of non-instructional services:		
Food service operations	928,951	864,511
Community services	874,043	643,504
Extracurricular activities	1,036,511	1,061,244
Interest and fiscal charges	368,184	464,235
Total expenses	<u>34,427,277</u>	<u>33,385,802</u>
Increase in net assets	<u>\$ (89,707)</u>	<u>\$ 1,538,619</u>

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Activities

Several revenue sources fund the School District's governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over \$24.2 million in 2008. General revenues from grants and entitlements, such as the school foundation program, generated over \$5.8 million. With the combination of taxes and intergovernmental funding 87.6% of all revenues, School District management monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 shows that the total cost of instructional services was \$19,877,615 or 57.74% of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching to pupils. These expenses represent \$3,248,401, or 9.44%, of the total governmental program expenses.

The Board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$2,877,774, or 8.36%, of governmental program expenses.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of School District operations. The total cost for the operation and maintenance services was \$3,421,627, or 9.94%, of governmental program expenses.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements for fiscal year 2008 as compared to fiscal year 2007.

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 3
Governmental Activities

Program Expenses	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$ 16,780,412	\$ 15,677,995	\$ (16,242,342)	\$ (15,102,197)
Special	2,345,747	2,127,101	(1,631,136)	(1,437,942)
Vocational	751,456	782,401	(729,194)	(746,981)
Support services:				
Pupils	1,629,923	1,545,985	(1,427,329)	(1,381,986)
Instructional staff	1,618,478	1,434,474	(1,604,422)	(1,346,009)
Board of education	147,645	158,545	(147,645)	(158,545)
Administration	1,835,186	1,711,190	(1,835,186)	(1,709,571)
Fiscal	767,591	1,078,907	(767,591)	(1,071,905)
Business	127,352	131,817	(127,352)	(131,817)
Operation and maintenance of plant	3,421,627	4,066,502	(3,399,884)	(4,036,902)
Pupil transportation	1,575,681	1,437,803	(1,559,532)	(1,408,048)
Central	218,490	199,588	(171,055)	(173,202)
Operation on non-instructional services:				
Food service operations	928,951	864,511	(25,257)	(3,526)
Community services	874,043	643,504	(258,872)	(51,708)
Extracurricular activities	1,036,511	1,061,244	(693,992)	(659,903)
Interest and fiscal charges	368,184	464,235	(368,184)	(464,235)
Total	<u>\$ 34,427,277</u>	<u>\$ 33,385,802</u>	<u>\$ (30,988,973)</u>	<u>\$ (29,884,477)</u>

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$34,054,237, and total expenditures were \$37,559,859. Table 4 shows fiscal year 2008 fund balances compared to fiscal year 2007.

Table 4
Fund Balances

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase/ (Decrease)	Percent Change
General	\$ 8,030,625	\$ 8,844,250	\$ (813,625)	-9.20%
Other governmental	<u>1,449,379</u>	<u>4,141,376</u>	<u>(2,691,997)</u>	<u>-65.00%</u>
Total	<u>\$ 9,480,004</u>	<u>\$ 12,985,626</u>	<u>\$ (3,505,622)</u>	<u>-74.20%</u>

General Fund

The general fund is reporting a fund balance of \$8,030,625, a decrease of \$813,625 from 2007. The decrease in fund balance can be attributed to an increase of \$1,041,475 in expenditures coupled by a decrease of \$980,625 of revenues. Expenditures related to instruction and support services was the

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

primary cause to the increase in expenditures and the change in revenues was mainly due to the decrease in property taxes. Table 5 assists in illustrating the financial activities of the general fund.

Table 5
General Fund Changes in Revenues and Expenditures

	2008 Amount	2007 Amount	Increase (Decrease)	Percent Change
<u>Revenues:</u>				
Property taxes	\$ 21,730,456	\$ 23,377,322	\$ (1,646,866)	-7.04%
Intergovernmental	5,623,706	4,814,555	809,151	16.81%
Interest	550,279	692,234	(141,955)	-20.51%
Tuition and fees	487,023	563,820	(76,797)	-13.62%
Gifts and donations	114	71	43	0.00%
Customer service	17,817	15,747	2,070	13.15%
Rent	21,743	22,575	(832)	-3.69%
Miscellaneous	214,052	139,491	74,561	53.45%
Total revenues	<u>28,645,190</u>	<u>29,625,815</u>	<u>(980,625)</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	15,539,508	14,951,571	587,937	3.93%
Special	1,628,413	1,386,305	242,108	17.46%
Vocational	714,752	744,640	(29,888)	-4.01%
Support services:				
Pupils	1,383,509	1,380,371	3,138	0.23%
Instructional staff	1,568,929	1,407,162	161,767	11.50%
Board of education	147,645	158,119	(10,474)	-6.62%
Administration	1,654,041	1,535,748	118,293	7.70%
Fiscal	731,190	637,597	93,593	14.68%
Business	119,925	121,730	(1,805)	
Operation and maintenance of plant	3,125,574	2,742,567	383,007	13.97%
Pupil transportation	1,483,904	1,354,535	129,369	9.55%
Central	190,956	173,354	17,602	10.15%
Operation of non-instructional services:				
Community service	95,250	99,961	(4,711)	
Extracurricular	617,424	568,917	48,507	8.53%
Capital outlay	406,625	178,831	227,794	127.38%
Debt service:				
Principal retirement	19,900	38,446	(18,546)	-48.24%
Interest and fiscal charges	270	1,896	(1,626)	-85.76%
Total expenditures	<u>\$ 29,427,815</u>	<u>\$ 27,481,750</u>	<u>\$ 1,946,065</u>	

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During fiscal year 2008, the School District amended its general fund revenue budget as more accurate property tax, State foundation and grant information became available. The School District amended its general fund expenditures budget several times during the year but none were significant. All budget revisions are presented to the Board of Education for approval.

For the general fund, the original budgeted revenue estimate was \$28,586,859. This amount was changed during the year, resulting in a final revenue budget of \$29,215,644. Actual revenue reported were \$29,208,125, \$7,519 less than the final budgeted amount; and \$621,266 more than the original budgeted amount.

The original expenditures estimate of \$29,229,251 was revised during the fiscal year. The final expenditures estimate of \$29,654,758 was \$425,507 higher than originally anticipated. In total this would be considered insignificant, with increases and decreases from the original and final budget posted to several line items of the budget. The actual expenditures however were \$29,644,352, \$10,406 or 0.04% lower than the final budgeted amount. This was the result of conservative spending by the district.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$20,695,187 invested in land and construction in progress, land improvements, buildings, furniture and equipment, and vehicles. Table 6 shows fiscal year 2008 balances compared to fiscal year 2007.

Table 6
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land and construction in progress	\$ 1,260,829	\$ 3,692,432
Land improvements	363,468	409,926
Buildings	18,148,240	13,508,027
Furniture and equipment	423,823	648,581
Vehicles	498,827	184,037
Total capital assets	<u>\$ 20,695,187</u>	<u>\$ 18,443,003</u>

The School District has completed the addition and the renovation of the Copley High School with the funds from the approved 2 mil permanent improvement levy. The total increase in the value of assets, as compared to the prior year, is due to the Buildings on the School District's assets. See Note 7 to the basic financial statements for detail on the School District's capital assets.

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Debt

At June 30, 2008 the School District had \$8,710,667 in bonds and notes outstanding, including \$254,055 of an unamortized premium from the issuance of the School Facilities Refunding Bonds. Of this outstanding debt, \$1,370,285 is due within one year. Table 7 summarizes the debt outstanding:

Table 7
Outstanding Debt and Capital Leases, at Fiscal Year End

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
2003 School Facilities Refunding Bonds	\$ 4,270,000	\$ 4,384,112
Accretion on bonds	-	353,246
Unamortized premium	254,055	329,631
2003 Energy Conservation Notes	896,612	969,123
2007 Tax Anticipation Notes	3,290,000	3,980,000
Capital leases	-	38,530
Total outstanding	<u>\$ 8,710,667</u>	<u>\$ 10,054,642</u>

At June 30, 2008 the School District's overall legal debt limit was \$66,163,887, with an unvoted debt limit of \$813,859. The School District is rated Aaa by Moody's Investors Service. See Note 14 to the basic financial statements for detail on the School District's long-term obligations.

Current Issues Affecting Financial Condition

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the School District is quite strong.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional financial information, contact John Wheadon, Treasurer, at Copley-Fairlawn City School District, 3797 Ridgewood Road, Copley, OH, 44321-1695.

Copley-Fairlawn City School District
Statement of Net Assets
June 30, 2008

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 11,609,500
Cash and cash equivalents:	
In segregated accounts	432,416
Inventory held for resale	19,188
Materials and supplies inventory	55,199
Deferred charges	42,962
Receivables:	
Accounts	33,561
Intergovernmental	90,249
Taxes	25,637,775
Prepaid items	55,292
Capital assets:	
Land and construction in progress	1,260,829
Depreciable capital assets, net	<u>19,434,358</u>
Total assets	<u>58,671,329</u>
<u>Liabilities:</u>	
Accounts payable	308,693
Accrued wages	2,265,964
Compensated absences payable	74,828
Intergovernmental payable	901,192
Accrued interest payable	15,312
Claims payable	272,920
Deferred revenue	23,134,141
Long-term liabilities:	
Due within one year	1,598,279
Due in more than one year	<u>8,956,532</u>
Total liabilities	<u>37,527,861</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	12,027,482
Restricted for:	
Capital projects	534,453
Debt service	725,374
Other purposes	256,795
Unrestricted	<u>7,599,364</u>
Total net assets	<u>\$ 21,143,468</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 16,780,412	\$ 437,667	\$ 100,403	\$ -	\$ (16,242,342)
Special	2,345,747	-	714,611	-	(1,631,136)
Vocational	751,456	22,262	-	-	(729,194)
Support services:					
Pupils	1,629,923	22,585	180,009	-	(1,427,329)
Instructional staff	1,618,478	-	14,056	-	(1,604,422)
Board of education	147,645	-	-	-	(147,645)
Administration	1,835,186	-	-	-	(1,835,186)
Fiscal	767,591	-	-	-	(767,591)
Business	127,352	-	-	-	(127,352)
Operation and maintenance of plant	3,421,627	21,743	-	-	(3,399,884)
Pupil transportation	1,575,681	-	-	16,149	(1,559,532)
Central	218,490	-	47,435	-	(171,055)
Operation of non-instructional services:					
Food service operations	928,951	688,477	215,217	-	(25,257)
Community services	874,043	17,817	597,354	-	(258,872)
Extracurricular activities	1,036,511	342,519	-	-	(693,992)
Interest and fiscal charges	368,184	-	-	-	(368,184)
Total governmental activities	\$ 34,427,277	\$ 1,553,070	\$ 1,869,085	\$ 16,149	(30,988,973)

General Revenues:

Property taxes levied for:

General purposes	22,042,557
Debt service	1,900,345
Capital outlay	268,606
Grants and entitlements not restricted to specific programs	5,855,459
Investment earnings	618,134
Miscellaneous	214,165
Total general revenues	30,899,266
Change in net assets	(89,707)
Net assets beginning of year, as restated	21,233,175
Net assets end of year	\$ 21,143,468

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 8,621,061	\$ 2,174,277	\$ 10,795,338
Inventory held for resale	-	19,188	19,188
Materials and supplies inventory	51,491	3,708	55,199
Receivables:			
Accounts	26,380	7,181	33,561
Intergovernmental	-	90,249	90,249
Interfund	672,279	-	672,279
Taxes	24,184,996	1,452,779	25,637,775
Prepaid items	55,248	44	55,292
Total assets	<u>\$ 33,611,455</u>	<u>\$ 3,747,426</u>	<u>\$ 37,358,881</u>
<u>Liabilities and fund balances:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 162,254	\$ 146,439	\$ 308,693
Accrued wages	2,121,864	144,100	2,265,964
Compensated absences payable	74,828	-	74,828
Interfund payable	-	672,279	672,279
Intergovernmental payable	847,596	53,596	901,192
Deferred revenue	22,374,288	1,281,633	23,655,921
Total liabilities	<u>25,580,830</u>	<u>2,298,047</u>	<u>27,878,877</u>
<u>Fund balances:</u>			
Reserved for encumbrances	400,317	706,818	1,107,135
Unreserved,			
Undesignated, reported in:			
General fund	7,630,308	-	7,630,308
Special revenue funds	-	142,502	142,502
Debt service fund	-	730,609	730,609
Capital projects funds	-	(130,550)	(130,550)
Total fund balances	<u>8,030,625</u>	<u>1,449,379</u>	<u>9,480,004</u>
Total liabilities and fund balances	<u>\$ 33,611,455</u>	<u>\$ 3,747,426</u>	<u>\$ 37,358,881</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property taxes	\$ 21,730,456	\$ 2,149,002	\$ 23,879,458
Intergovernmental	5,623,706	2,122,698	7,746,404
Interest	550,279	46,059	596,338
Tuition and fees	487,023	-	487,023
Extracurricular activities	-	166,217	166,217
Gifts and donations	114	43,812	43,926
Customer services	17,817	710,739	728,556
Rent	21,743	-	21,743
Miscellaneous	214,052	170,520	384,572
Total revenues	<u>28,645,190</u>	<u>5,409,047</u>	<u>34,054,237</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	15,539,508	121,307	15,660,815
Special	1,628,413	682,123	2,310,536
Vocational	714,752	20,902	735,654
Support services:			
Pupils	1,383,509	213,166	1,596,675
Instructional staff	1,568,929	27,109	1,596,038
Board of education	147,645	-	147,645
Administration	1,654,041	1,615	1,655,656
Fiscal	731,190	31,952	763,142
Business	119,925	-	119,925
Operation and maintenance of plant	3,125,574	121,075	3,246,649
Pupil transportation	1,483,904	-	1,483,904
Central	190,956	26,801	217,757
Operation of non-instructional services:			
Food service operations	-	901,014	901,014
Community services	95,250	763,540	858,790
Extracurricular activities	617,424	358,932	976,356
Capital outlay	406,625	3,195,550	3,602,175
Debt service:			
Principal retirement	19,900	1,326,141	1,346,041
Interest and fiscal charges	270	340,817	341,087
Total expenditures	<u>29,427,815</u>	<u>8,132,044</u>	<u>37,559,859</u>
Excess of revenues over (under) expenditures	<u>(782,625)</u>	<u>(2,722,997)</u>	<u>(3,505,622)</u>
<u>Other financing sources (uses):</u>			
Transfers in	-	31,000	31,000
Transfers out	(31,000)	-	(31,000)
Total other financing sources (uses)	<u>(31,000)</u>	<u>31,000</u>	<u>-</u>
Net change in fund balances	(813,625)	(2,691,997)	(3,505,622)
Fund balances at beginning of year	8,844,250	4,141,376	12,985,626
Fund balances at end of year	<u>\$ 8,030,625</u>	<u>\$ 1,449,379</u>	<u>\$ 9,480,004</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ (3,505,622)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$	3,602,175	
Depreciation expense		<u>(1,069,641)</u>	
Excess of capital outlay over depreciation expense			2,532,534

The proceeds from the sale of capital assets are reported as a source of financing in the governmental funds. However, the value of the capital assets sold/disposed is removed from the capital assets account in the statement of net assets and offset against the sales proceeds resulting in a "gain on the disposal of capital assets" in the statement of activities. Thus, potentially more revenue is reported in the governmental funds and more expenses in the statement of activities.

In the current period expenses exceeded revenues.

Value of capital assets disposed	\$	<u>(280,350)</u>	
Excess expenses over revenues			(280,350)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:

Property taxes	\$	332,049	
Intergovernmental		(30,956)	
Tuition and fees		<u>(49,356)</u>	
Net change in deferred revenues during the year			251,737

Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

1,307,511

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

38,530

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	\$	(312,187)	
Increase in accrued interest		(12,251)	
Amortization of deferred charge		(12,780)	
Bond accretion		(77,642)	
Amortization of premium		<u>75,576</u>	
Total additional expenditures			(339,284)

The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.

(94,763)

Change in net assets of governmental activities

\$ (89,707)

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP) Basis and Actual - General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 21,892,881	\$ 22,347,942	\$ 22,348,599	\$ 657
Intergovernmental	5,509,032	5,623,542	5,623,706	164
Interest	557,173	568,771	568,771	-
Tuition and fees	475,371	485,266	485,266	-
Rent	20,046	20,463	20,463	-
Gifts and donations	112	114	114	-
Customer services	17,454	17,817	17,817	-
Miscellaneous	114,790	151,729	143,389	(8,340)
Total revenues	<u>28,586,859</u>	<u>29,215,644</u>	<u>29,208,125</u>	<u>(7,519)</u>
Expenditures:				
Current:				
Instruction:				
Regular	16,987,493	15,391,773	15,381,384	10,389
Special	1,335,566	1,635,042	1,635,037	5
Vocational	733,479	760,726	760,724	2
Support services:				
Pupils	1,464,818	1,423,139	1,423,139	-
Instructional staff	1,527,110	1,570,286	1,570,285	1
Board of education	85,773	178,481	178,480	1
Administration	1,881,796	1,674,247	1,674,245	2
Fiscal	391,915	721,747	721,745	2
Business	130,848	120,596	120,596	-
Operation and maintenance of plant	2,708,397	3,302,431	3,302,430	1
Pupil transportation	1,192,514	1,922,646	1,922,646	-
Central	106,024	191,626	191,626	-
Operation of non-instructional services:				
Community services	100,307	98,781	98,779	2
Extracurricular activities	583,211	620,737	620,736	1
Capital outlay	-	42,500	42,500	-
Total expenditures	<u>29,229,251</u>	<u>29,654,758</u>	<u>29,644,352</u>	<u>10,406</u>
Excess of revenues over (under) expenditures	<u>(642,392)</u>	<u>(439,114)</u>	<u>(436,227)</u>	<u>2,887</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	183	183	-
Refund of prior year expenditures	-	97,243	97,243	-
Advances in	-	820	820	-
Advances out	-	(672,279)	(672,279)	-
Transfers out	(12,500)	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>(12,500)</u>	<u>(604,033)</u>	<u>(604,033)</u>	<u>-</u>
Net change in fund balance	(654,892)	(1,043,147)	(1,040,260)	2,887
Fund balance at beginning of year	8,479,421	8,479,421	8,479,421	-
Prior year encumbrances appropriated	612,751	612,751	612,751	-
Fund balance at end of year	<u>\$ 8,437,280</u>	<u>\$ 8,049,025</u>	<u>\$ 8,051,912</u>	<u>\$ 2,887</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2008

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 814,162
Cash and cash equivalents:	
In segregated accounts	432,416
Total assets	<u>\$ 1,246,578</u>
<u>Liabilities:</u>	
Claims payable	<u>\$ 272,920</u>
<u>Net assets:</u>	
Unrestricted	973,658
Total liabilities and net assets	<u>\$ 1,246,578</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Self Insurance
<u>Operating revenues</u>	
Charges for services	\$ 2,054,038
Other revenues	<u>234</u>
Total operating revenues	<u>2,054,272</u>
<u>Operating expenses:</u>	
Purchased services	351,390
Claims	<u>1,829,241</u>
Total operating expenses	<u>2,180,631</u>
Operating income	<u>(126,359)</u>
<u>Non-operating revenues</u>	
Interest	<u>31,596</u>
Change in net assets	(94,763)
Net assets beginning of year	<u>1,068,421</u>
Net assets end of year	<u>\$ 973,658</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received from other operating sources	\$ 234
Cash received for charges for services	2,054,038
Cash payments to suppliers for goods and services	(351,390)
Cash payments for claims	(1,702,648)
Net cash provided by operating activities	<u>234</u>
<u>Cash flows from investing activities:</u>	
Interest on investments	<u>31,596</u>
Net cash provided by investing financing	<u>31,596</u>
Net increase in cash and cash equivalents	31,830
Cash and cash equivalents at beginning of year	<u>1,214,748</u>
Cash and cash equivalents at end of year	<u>\$ 1,246,578</u>
Reconciliation of operating income to net cash <u>(used) by operating activities:</u>	
Operating income	<u>\$ (126,359)</u>
Change in assets and liabilities:	
<u>Increase (decrease) in liabilities:</u>	
Claims payable	<u>126,593</u>
Net cash provided by operating activities	<u>\$ 234</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 8,239	\$ 106,141
Receivables:		
Accounts	-	93
Total assets	<u>\$ 8,239</u>	<u>\$ 106,234</u>
 <u>Liabilities:</u>		
Due to students	<u>\$ -</u>	<u>\$ 106,234</u>
 <u>Net assets:</u>		
Held in trust for scholarships	<u>8,239</u>	
Total net assets	<u>\$ 8,239</u>	

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2008

	<u>Scholarships</u>
<u>Additions:</u>	
Miscellaneous	<u>\$ 1,270</u>
<u>Deductions:</u>	
Payments in accordance with trust agreements	<u>1,986</u>
Change in net assets	(716)
Net assets beginning of year	<u>8,955</u>
Net assets end of year	<u>\$ 8,239</u>

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Copley-Fairlawn City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a School District as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's seven instructional/support facilities staffed by 146 non-certificated and 248 certificated full time teaching personnel, including nine administrators, who provide services to 3,417 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District had no component units at year end.

The School District is associated with the Northeast Ohio Network for Educational Technology and the Four Cities Vocational Compact, which are defined as a jointly governed organization. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 15.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses on the government-wide level.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds:

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund is the major fund of the School District:

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

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

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for revenue received from other funds and the settlement of medical expenses of School District employees.

Fiduciary Fund Types:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust, which accounts for scholarship and alumni programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only agency fund accounts for student managed activities.

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private purpose trust fund is reported using the economic resources measurement focus.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, "available" means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account. Unused donated commodities are reported in the account "Inventory held for resale" within the basic financial statements.

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

E. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2008. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented on the statement of net assets in the account, "Equity in pooled cash and cash equivalents".

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

The School District has segregated a portion of cash balances, reported as "Cash and cash equivalents in segregated accounts" which are used for claims expenses paid for by the self-insurance internal service fund. During the current fiscal year investments were limited to overnight repurchase agreements and STAR Ohio, the State Treasurer's Investment Pool. All investments of the School District had maturity periods of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 4.

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

G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

On the government-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used.

Inventories of the general fund and food service special revenue fund are stated at cost, which is determined on a first-in, first-out basis. Inventories in the general fund consist of expendable supplies held for consumption. Inventories of the food service fund consist of donated food, purchased food, and supplies held for resale. Inventories are recorded as expenditures when purchased on the fund financial statements.

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The School District did not have any restricted assets required by State statute to be set-aside as reserves for the current fiscal year. See Note 17 for additional information regarding restricted assets.

J. Capital Assets

General capital assets are those assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. It is the policy of the School District to not capitalize interest costs incurred as part of construction.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15-20 years
Buildings	20-40 years
Furniture and equipment	5-20 years
Vehicles	8 years

K. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgements, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include food service operations and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

P. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of the fund balance that is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Q. Interfund Transactions

Interfund transfers are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statements of net assets.

Copley-Fairlawn City School District
 Notes to the Basic Financial Statements
 For the fiscal year ended June 30, 2008

R. Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$ (813,625)
Revenue Accruals	661,181
Expenditure Accruals	(318,668)
Encumbrances (Budget Basis)	
Outstanding at year end	<u>(569,148)</u>
Budget Basis	<u>\$ (1,040,260)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

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

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

A. Deposits:

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District's deposits was \$10,458,715. The School District's bank balance of \$10,913,852 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department and not in the School District's name	\$ 10,713,852
--	---------------

B. Investments:

As of June 30, the School District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Repurchase agreements	\$ 720,000	Daily	N/A ⁽¹⁾
STAROhio	977,581	N/A	AAAm ⁽²⁾
	<u>\$ 1,697,581</u>		

⁽¹⁾ Underlying securities are exempt.

⁽²⁾ Standard and Poor's rating

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

All interest is legally required to be placed in the general fund, the food service and auxiliary services special revenue funds and the self-insurance internal service fund. Due to these provisions, the general fund received \$550,279, of which \$30,086 was assigned from other School District funds.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's \$720,000 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the School District's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year are levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2001 for the following tax year. Public utility property taxes are assessed on tangible personal property at 85% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. In prior years, tangible personal property was assessed at 25% of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out the assessment percentage for all property including inventory for 2008 is 6.25%. This will be reduced to zero for 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 due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

The School District receives property taxes from Summit County. The Summit County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by year-end are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$1,810,708 in the general fund, \$119,375 in the Permanent Improvement capital projects fund and \$51,711 in the Bond Retirement debt service fund. These advances are recognized as revenue on the fund financial statements. On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

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

<u>Property Category</u>	2007 <u>Assessed Value</u>	2006 <u>Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 493,514,390	\$ 484,580,620
Commercial and Industrial	289,547,850	277,605,830
Public Utilities	8,320	7,840
<u>Tangible Personal Property</u>		
General	17,257,740	29,628,237
Public Utilities	13,530,960	16,912,360
Total	<u>\$ 813,859,260</u>	<u>\$ 808,734,887</u>

NOTE 6 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts, interfund, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
Special revenue funds:	
Title I	\$ 33,160
Title II-A	7,232
IDEA, Part B special education grant	38,978
Title III	10,879
Total intergovernmental receivable	<u>\$ 90,249</u>

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

Governmental Activities	Restated Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 1,209,729	\$ -	\$ -	\$ 1,209,729
Construction in progress	2,482,703	3,095,089	(5,526,692)	51,100
Total capital assets, not being depreciated	<u>3,692,432</u>	<u>3,095,089</u>	<u>(5,526,692)</u>	<u>1,260,829</u>
Capital assets, being depreciated:				
Land improvements	1,792,085	-	-	1,792,085
Buildings	29,367,726	5,618,950	(500,000)	34,486,676
Furniture and equipment	3,443,259	20,478	(115,918)	3,347,819
Vehicles	1,969,172	394,350	(325,304)	2,038,218
Total capital assets, being depreciated	<u>36,572,242</u>	<u>6,033,778</u>	<u>(941,222)</u>	<u>41,664,798</u>
Less: Accumulated depreciation				
Land improvements	(1,382,159)	(46,458)	-	(1,428,617)
Buildings	(15,859,699)	(720,404)	241,667	(16,338,436)
Furniture and equipment	(2,794,678)	(223,219)	93,901	(2,923,996)
Vehicles	(1,785,135)	(79,560)	325,304	(1,539,391)
Total accumulated depreciation	<u>(21,821,671)</u>	<u>(1,069,641)</u>	<u>660,872</u>	<u>(22,230,440)</u>
Total capital assets being depreciated, net	<u>14,750,571</u>	<u>4,964,137</u>	<u>(280,350)</u>	<u>19,434,358</u>
Governmental activities capital assets, net	<u>\$ 18,443,003</u>	<u>\$ 8,059,226</u>	<u>\$ (5,807,042)</u>	<u>\$ 20,695,187</u>

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 636,163
Vocational	11,466
Support services:	
Administration	132,877
Business	5,267
Operation and maintenance of plant	131,804
Pupil transportation	84,484
Community services	2,115
Food service operations	16,769
Extracurricular activities	<u>48,696</u>
Total depreciation expense	<u>\$ 1,069,641</u>

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2008 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 672,279	\$ -
Nonmajor governmental funds	<u>-</u>	<u>672,279</u>
	<u>\$ 672,279</u>	<u>\$ 672,279</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, or (3) payments between funds were made. The remaining interfund loans which were outstanding during 2007, were repaid during the fiscal year 2008.

NOTE 9 - INTERFUND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year 2008, the general fund transferred a total of \$31,000 to other nonmajor governmental funds for these purposes.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

B. Self Insurance

The School District uses an internal service fund to account for and finance its employee health benefits plan. Under this program, the self insurance internal service fund provides coverage for up to an annual maximum of \$75,000 for each health benefits claim, capped at \$2,585,520 for all claims. A third-party administrator manages the plan. The School District purchases commercial insurance for claims in excess of coverage provided by the Plan. Settled claims have not exceeded this commercial coverage, nor have there been any significant reductions in coverage in any of the past three fiscal years.

All funds of the School District participate in the program and make payments to the self insurance fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premium for stop-loss coverage and medical conversion and administrative fees and services). The claims liability of \$272,920 reported in the fund at year end was estimated by an independent third-party administrator and is based on the provisions of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability for the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at beginning of year</u>	<u>Current year claims</u>	<u>Claim payments</u>	<u>Balance at end of year</u>
2007	\$ 174,879	1,851,593	1,880,145	\$ 146,327
2008	\$ 146,327	1,829,241	1,702,648	\$ 272,920

C. Workers' Compensation

The School District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio School Boards Association as a result of the Worker's Compensation group rating plan as defined in Section 4123.29 of the Ohio Revised Code. The group-rating program allows school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

Funding Policy - 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 School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended 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 required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$388,269, \$430,911 and \$415,122 respectively; 50.00 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School 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 Web site at www.strsoh.org.

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 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.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

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 the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are 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 School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,977,701, \$1,933,397, and \$1,827,117, respectively; 83.28 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$23,614 made by the School District and \$62,032 made by the plan members.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$51,393.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$177,179, \$168,652, and \$164,166 respectively; 45.47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$27,976, \$26,629, and \$25,921 respectively; 50.00 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description The School District contributes to the cost sharing multiple employer defined benefit Health 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 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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$152,131, \$148,723, and \$140,547 respectively; 83.28 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a previous fiscal year, the School District entered into capitalized lease agreements for the acquisition of a new phone system and copiers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by these leases have been capitalized as equipment in the amount of \$689,718 equal to the present value of the future minimum lease payments in the government-wide financial statements. The capital leases were paid off during the fiscal year 2008 with a principal payment of \$38,530 and interest totaling \$363.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Restated Balance <u>July 1 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30 2008</u>	Due within <u>one year</u>
<u>Governmental Long-term Obligations</u>					
<u>Bonds</u>					
2003 School Facilities Refunding					
Bonds, 2.00-4.00%					
Serial bonds	\$ 4,270,000	\$ -	\$ -	\$ 4,270,000	\$ 525,000
Capital appreciation bonds	114,112	-	(114,112)	-	-
Accretion on bonds	353,246	77,642	(430,888)	-	-
Unamortized premium	329,631	-	(75,576)	254,055	-
Total bonds	<u>5,066,989</u>	<u>77,642</u>	<u>(620,576)</u>	<u>4,524,055</u>	<u>525,000</u>
<u>Notes</u>					
2007 Tax Anticipation					
Notes, 4.15%	3,980,000	-	(690,000)	3,290,000	770,000
2003 Energy Conservation Notes					
Notes, 3.79%	<u>969,123</u>	-	<u>(72,511)</u>	<u>896,612</u>	<u>75,285</u>
Total notes	<u>4,949,123</u>	-	<u>(762,511)</u>	<u>4,186,612</u>	<u>845,285</u>
<u>Other Long-term Obligations</u>					
Long-term compensated absences	1,531,957	508,350	(196,163)	1,844,144	227,994
Capital lease payable	<u>38,530</u>	-	<u>(38,530)</u>	-	-
Total other long-term obligations	<u>1,570,487</u>	<u>508,350</u>	<u>(234,693)</u>	<u>1,844,144</u>	<u>227,994</u>
Total governmental long-term obligations	<u>\$ 11,586,599</u>	<u>\$ 585,992</u>	<u>\$ (1,617,780)</u>	<u>\$ 10,554,811</u>	<u>\$ 1,598,279</u>

In 2003, the School District issued \$1,171,015 in Energy Conservation Notes at an interest rate of 3.79% to pay the costs of remodeling various School District buildings. The Notes were used to pay the costs of installations, modifications and remodeling of school buildings to conserve energy. These notes will also be paid with voted property tax receipts of the Bond Retirement debt service fund and are scheduled to mature in December 2018.

In 2007, the School District issued \$3,980,000 in Tax Anticipation Notes at an interest rate of 4.15% to pay the costs of remodeling various School District buildings. These notes are to be repaid from the Permanent Improvement capital projects fund and are scheduled to mature in December 2012.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

On October 1, 2002, the School District issued \$5,934,990 in General Obligation Bonds with an average interest rate of 3% to advance refund \$5,935,000 of outstanding School Facilities Bonds with an average interest rate of 6.18%. The bond proceeds consisted of bond principal and \$681,479 of premium. The net proceeds of \$5.9 million (after payment of \$115,240 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of School Facilities Bonds refunded. These bonds include serial and capital appreciation bonds. Current year additions amounted to \$204,160 which represents the accretion of discounted interest. The final amount of the 2003 capital appreciation bonds will be \$565,000. As a result of this issue, a portion of the School Facilities Bonds are considered to be defeased and the liability has been removed.

Compensated absences will be paid from the fund from which the person is paid. In prior years this has primarily been the general fund. Capital lease obligations will be paid from the general fund.

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2008 are as follows:

<u>Fiscal</u> <u>Year Ending</u>	<u>Bonds</u>		<u>Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	525,000	141,890	845,285	155,766	1,370,285	297,656
2010	540,000	125,510	883,165	118,455	1,423,165	243,965
2011	555,000	107,709	921,156	80,928	1,476,156	188,637
2012	575,000	88,494	959,261	42,346	1,534,261	130,840
2013	590,000	68,103	87,484	21,076	677,484	89,179
2014-2018	1,485,000	76,615	490,262	52,536	1,975,262	129,151
Total	<u>\$ 4,270,000</u>	<u>\$ 608,321</u>	<u>\$ 4,186,612</u>	<u>\$ 471,107</u>	<u>\$ 8,456,612</u>	<u>\$ 1,079,428</u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEONET is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating school districts governs NEONET. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEONET are made from the general fund.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

The Four Cities Vocational Compact (Compact) is a jointly governed organization to provide for the vocational and special education needs of the students of four participating school districts. The four-member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the four districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class. Wadsworth City School District serves as the fiscal agent for this Compact, collecting and distributing payments. The committee exercises total control over the operation of the compact, including budgeting, appropriating, contracting and designating management. All revenues are generated from charges for services.

NOTE 16 - CONTINGENCIES

A. Grants:

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

B. Litigation

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

NOTE 17 - STATUTORY RESERVES

The School District is required by State statute to annually set aside monies for the 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 qualifying disbursements during the year that reduced set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the capital improvements set-aside. 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.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2008

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>
Set-aside cash balance as of June 30, 2007	\$ (1,765,123)	\$ -
Current year set-aside requirement	523,038	523,038
Current year offset	-	(452,017)
Qualifying disbursements	<u>(550,969)</u>	<u>(4,924,953)</u>
Total	<u>\$ (1,793,054)</u>	<u>\$ (4,853,932)</u>
Balance carried forward to FY2009	<u>\$ (1,793,054)</u>	

NOTE 18- FUND DEFICITS

As of June 30, 2008, two funds had deficit fund balances. These deficits were caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

<u>Fund</u>	<u>Amount</u>
Special revenue funds:	
IDEA, Part B	\$ 66,544
Title II-A	968

NOTE 19- RESTATEMENT OF NET ASSETS

Following the close of the previous fiscal year, a review of an ongoing construction project revealed payments made in the current fiscal year were for services completed in fiscal year 2007. As a result of this discovery, the balance of construction in progress at the beginning of this year was understated and requires a restatement in the amount of \$930,846.

In addition, the accreted balance of a capital appreciation bond should have been reduced in the amount of accumulated accreted interest of the bond. Although, the original principal amount of the matured bond was reported as a reduction of the long-term liability the accreted interest was not reported as a reduction and will require a restatement in the amount of \$404,122.

The beginning balance of net assets will be restated to correctly report the School District's ending net assets for this fiscal year.

	<u>Net Assets</u>
Net asset at June 30, 2007	\$ 19,898,207
Accretion on bonds	404,122
Capital assets	<u>930,846</u>
Net asset at July 1, 2007	<u><u>21,233,175</u></u>

This page intentionally left blank

**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***

Copley-Fairlawn City School District
3797 Ridgewood Road
Copley, OH 44321

To Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Copley-Fairlawn City School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2009. 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 Control 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 auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

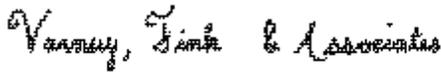
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated February 19, 2009.

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



Varney, Fink & Associates, Inc.
Wadsworth, Ohio

February 19, 2009

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

Copley-Fairlawn City School District
3797 Ridgewood Road
Copley, OH 44321

To Board of Education:

Compliance

We have audited the compliance of Copley-Fairlawn City School District (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable of financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)

Internal Control Over Compliance

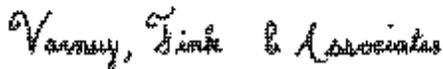
The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



Varney, Fink & Associates, Inc.
Wadsworth, Ohio

February 19, 2009

Copley-Fairlawn CSD
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Program Year	Receipts	Disbursements
U.S. Department of Agriculture				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	----	\$187,317	\$187,317
Total Child Nutrition Cluster			<u>187,317</u>	<u>187,317</u>
Food Donation	10.550	----	79,362	79,362
Total U.S. Department of Agriculture			<u>266,679</u>	<u>266,679</u>
U.S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	2007	15,550	16,311
Title I Grants to Local Educational Agencies	84.010	2008	101,677	100,604
Total Title I Grants to Local Educational Agencies			<u>117,227</u>	<u>116,915</u>
Special Education Cluster:				
Special Education-Grants to States	84.027	2007	12,951	34,795
Special Education-Grants to States	84.027	2008	721,708	712,869
Total Special Education-Grants to States			<u>734,659</u>	<u>747,664</u>
Special Education-Preschool Grants	84.173	2007	1,592	1,592
Special Education-Preschool Grants	84.173	2008	13,689	13,689
Total Special Education Preschool Grants			<u>15,281</u>	<u>15,281</u>
Total Special Education Cluster			<u>749,940</u>	<u>762,945</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	2007	0	26
Safe and Drug-Free Schools and Communities - State Grants	84.186	2008	7,824	7,824
Total Safe and Drug-Free Schools and Communities			<u>7,824</u>	<u>7,850</u>
State Grants for Innovative Programs	84.298	2007	0	204
State Grants for Innovative Programs	84.298	2008	9,658	9,658
Total State Grants for Innovative Programs			<u>9,658</u>	<u>9,862</u>
Education Technology State Grants	84.318	2008	1,294	1,294
English Language Acquisition Grants	84.365	2008	32,754	32,754
Total English Language Acquisition Grant			<u>32,754</u>	<u>32,754</u>
Improving Teacher Quality State Grants	84.367	2007	2,514	7,628
Improving Teacher Quality State Grants	84.367	2008	63,758	63,510
Total Improving Teacher Quality State Grants			<u>66,272</u>	<u>71,138</u>
Total U.S. Department of Education			<u>984,969</u>	<u>1,002,758</u>
Total Federal Assistance			<u>\$1,251,648</u>	<u>\$1,269,437</u>

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased foods and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE B – TRANSFERS

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2008, ODE authorized the following transfers:

CFDA Number	Program Title	Award Year	Transfer s Out	Transfer s In
84.010	Title V State Grants for Innovative Programs	2008	\$204	\$0
84.010	Title V State Grants for Innovative Programs	2008	0	204
84.186	Title IV - A Safe and Drug-Free Schools and Communities - State Grants	2008	26	0
84.186	Title IV - A Safe and Drug-Free Schools and Communities - State Grants	2008	0	26
	Total		<u><u>\$230</u></u>	<u><u>\$230</u></u>

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of auditor's report issued on the basic financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the basic financial statement level?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the basic financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the basic financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

(d)(1)(vii)	Major Program:	Special Education - Grants to States, CFDA #84.027 and Special Education-Preschool Grants, CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT 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
APRIL 16, 2009