



Dave Yost • Auditor of State

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	20
Statement of Net Position – Internal Service Fund	21
Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Fund.....	22
Statement of Cash Flows – Internal Service Fund.....	23
Statement of Fiduciary Net Position Private Purpose Trust Fund	24
Statement of Changes in Fiduciary Net Position Private Purpose Trust Fund	25
Notes to the Basic Financial Statements	26
Federal Awards Receipts and Expenditures Schedule.....	55
Notes to the Federal Awards Receipts and Expenditures Schedule	56
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	57
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	59
Schedule of Findings.....	61
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	63

THIS PAGE INTENTIONALLY LEFT BLANK.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Copley-Fairlawn City School District
Summit County
3797 Ridgewood Road
Copley, Ohio 44321

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Copley-Fairlawn City School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Copley-Fairlawn City School District, Summit County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements. The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 30, 2014

THIS PAGE INTENTIONALLY LEFT BLANK.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

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, 2013. 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 2013 are as follows:

- General revenues accounted for \$33,004,807 or 89.23% 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 \$3,983,239 or 10.77% of total revenues of \$36,988,046.
- Governmental expenses totaled \$36,755,967; program revenues offset only \$3,983,239 of these expenses. General revenues of \$33,004,807 were adequate to provide for these programs.
- Expenses directly related to the instruction of students totaled \$22,090,583, or 60.10% of all governmental expenses.
- At the end of the fiscal year, the general fund had a balance of \$9,706,398 and the permanent improvement fund had a balance of \$3,716,144, an increase of \$1,871,501 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 position 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, 2013

Unaudited

Reporting the School District as a Whole

Statement of Net Position 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 2013?" The statement of net position 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 position and changes in those assets. This change in net position 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 position 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 10. 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 and permanent improvement 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 position 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, 2013

Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>Restated 2012</u>
Assets		
Current and other assets	\$ 49,987,700	\$ 42,457,553
Capital assets, net of depreciation	<u>19,530,673</u>	<u>18,746,160</u>
Total assets	<u>69,518,373</u>	<u>61,203,713</u>
Liabilities		
Current and other liabilities	5,263,865	3,848,274
Long-term liabilities:		
Due within one year	1,543,381	954,408
Due in more than one year	<u>5,238,405</u>	<u>3,584,934</u>
Total liabilities	<u>12,045,651</u>	<u>8,387,616</u>
Deferred inflows of resources		
Property taxes	<u>29,269,699</u>	<u>24,845,153</u>
Net Position		
Net investment in capital assets	16,524,748	15,965,837
Restricted	2,309,078	2,625,410
Unrestricted	<u>9,369,197</u>	<u>9,379,697</u>
Total net position	<u>\$ 28,203,023</u>	<u>\$ 27,970,944</u>

Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2013, the School District had an increase in net position of \$232,079.

Net investment in capital assets reported on the government-wide statements represents a large component of net position. 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 position, \$2,309,078, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, \$356,890 is restricted for debt service payments, \$1,715,600 is restricted for capital projects and \$236,588 is restricted for other purposes. The remaining balance of net position of \$9,369,197 is unrestricted.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

Table 2 shows change in net position for fiscal year 2013 compared to fiscal year 2012.

Table 2
Change in Net Position

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,809,937	\$ 1,366,142
Operating grants, contributions and interest	2,051,616	1,953,587
Capital grants and contributions	121,686	73,720
General revenues:		
Property taxes	26,457,003	27,969,975
Grants and entitlements	6,389,289	6,970,540
Investment earnings	28,066	24,832
Increase (decrease) in fair value of investments	(32,779)	4,158
Miscellaneous	163,228	156,284
Total revenues	<u>36,988,046</u>	<u>38,519,238</u>
Program Expenses		
Instruction:		
Regular	17,102,275	17,288,991
Special	4,401,833	3,181,423
Vocational	586,475	594,481
Support services:		
Pupils	1,802,639	1,737,213
Instructional staff	665,876	1,668,967
Board of education	133,319	97,180
Administration	1,935,822	1,905,069
Fiscal	1,934,988	1,044,193
Business	142,475	124,536
Operation and maintenance of plant	3,517,394	3,330,573
Pupil transportation	1,690,850	1,682,702
Central	214,980	224,566
Operation of non-instructional services:		
Food service operations	780,109	791,983
Community services	632,928	602,483
Extracurricular activities	1,143,736	1,214,235
Interest and fiscal charges	70,268	101,405
Total expenses	<u>36,755,967</u>	<u>35,590,000</u>
Increase in net position	<u>\$ 232,079</u>	<u>\$ 2,929,238</u>

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

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 \$26.4 million in 2013. General revenues from grants and entitlements, such as the school foundation program, generated over \$6.3 million. With the combination of taxes and intergovernmental funding 88.8% 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 \$22,090,583, or 60.10% 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 \$2,468,515, or 6.72%, 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 \$4,146,604, or 11.28%, 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 \$3,517,394, or 9.57%, 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 2013 as compared to fiscal year 2012.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

Table 3
Governmental Activities

Program Expenses	Total Cost of Services		Net Cost of Services	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instruction:				
Regular	\$ 17,102,275	\$ 17,288,991	\$(16,116,611)	\$(16,729,235)
Special	4,401,833	3,181,423	(3,305,405)	(2,190,654)
Vocational	586,475	594,481	(569,408)	(576,294)
Support services:				
Pupils	1,802,639	1,737,213	(1,774,967)	(1,711,101)
Instructional staff	665,876	1,668,967	(665,876)	(1,667,173)
Board of education	133,319	97,180	(133,319)	(97,180)
Administration	1,935,822	1,905,069	(1,935,822)	(1,905,069)
Fiscal	1,934,988	1,044,193	(1,934,988)	(1,044,193)
Business	142,475	124,536	(142,475)	(124,536)
Operation and maintenance of plant	3,517,394	3,330,573	(3,474,888)	(3,306,794)
Pupil transportation	1,690,850	1,682,702	(1,690,850)	(1,682,702)
Central	214,980	224,566	(205,980)	(215,566)
Operation on non-instructional services:				
Food service operations	780,109	791,983	(41,513)	15,265
Community services	632,928	602,483	(47,994)	(45,855)
Extracurricular activities	1,143,736	1,214,235	(662,364)	(814,059)
Interest and fiscal charges	70,268	101,405	(70,268)	(101,405)
Total	<u>\$ 36,755,967</u>	<u>\$ 35,590,000</u>	<u>\$(32,772,728)</u>	<u>\$(32,196,551)</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 \$37,027,753, and total expenditures were \$38,289,041. Table 4 shows fiscal year 2013 fund balances compared to fiscal year 2012.

Table 4
Fund Balances

	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
General	\$ 9,706,398	\$ 9,725,707	\$ (19,309)	-0.20%
Permanent improvement	3,716,144	1,844,643	1,871,501	101.46%
Other governmental	<u>571,157</u>	<u>684,637</u>	<u>(113,480)</u>	<u>-16.58%</u>
Total	<u>\$ 13,993,699</u>	<u>\$ 12,254,987</u>	<u>\$ 1,738,712</u>	

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unaudited

General Fund

The general fund is reporting a fund balance of \$9,706,398, a decrease of \$19,309 from 2012. The decrease in fund balance is not attributed to any single item. Table 5 assists in illustrating the financial activities of the general fund.

Table 5
General Fund Changes in Revenues and Expenditures

	2013	2012	Increase	Percent
	Amount	Amount	(Decrease)	Change
<u>Revenues:</u>				
Property taxes	\$ 24,768,131	\$ 25,981,999	\$ (1,213,868)	-4.67%
Intergovernmental	6,262,078	6,767,028	(504,950)	-7.46%
Interest	28,066	28,990	(924)	-3.19%
Tuition and fees	615,462	412,085	203,377	49.35%
Decrease in fair value of investments	(32,779)	-	(32,779)	N/A
Gifts and donations	3,553	15,350	(11,797)	-76.85%
Customer services	23,933	25,894	(1,961)	-7.57%
Rent	42,506	23,779	18,727	78.75%
Miscellaneous	218,987	186,480	32,507	17.43%
Total revenues	<u>31,929,937</u>	<u>33,441,605</u>	<u>(1,511,668)</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	15,993,026	16,491,051	(498,025)	-3.02%
Special	3,412,130	2,406,671	1,005,459	41.78%
Vocational	587,981	588,230	(249)	-0.04%
Support services:				
Pupils	1,802,470	1,790,722	11,748	0.66%
Instructional staff	656,330	1,664,622	(1,008,292)	-60.57%
Board of education	133,319	97,180	36,139	37.19%
Administration	1,878,333	1,877,274	1,059	0.06%
Fiscal	1,825,869	1,005,056	820,813	81.67%
Business	137,587	123,654	13,933	11.27%
Operation and maintenance of plant	2,945,176	2,965,436	(20,260)	-0.68%
Pupil transportation	1,563,408	1,565,619	(2,211)	-0.14%
Central	205,870	214,786	(8,916)	-4.15%
Operation of non-instructional services:				
Community service	77,775	77,001	774	1.01%
Extracurricular activities	650,614	690,993	(40,379)	-5.84%
Capital outlay	10,958	218,390	(207,432)	-94.98%
Debt service:				
Principal retirement	32,211	19,853	12,358	100.00%
Interest and fiscal charges	6,189	5,747	442	100.00%
Total expenditures	<u>\$ 31,919,246</u>	<u>\$ 31,802,285</u>	<u>\$ 116,961</u>	

Copley-Fairlawn City School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
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 2013, 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 and other financing sources estimate was \$32,097,697. This amount was changed during the year, resulting in a final revenue and other financing sources of \$33,642,888. Actual revenue and other financing sources reported was \$33,641,983, the change was a decrease of \$905 from the final budget and was \$1,544,286 greater than the original budgeted amount. This \$1,544,286 change was due primarily from taxes that were not known during the original budget process.

The original expenditures and other financing uses estimate for the fiscal year were \$33,402,377. The final expenditures and other financing uses estimate of \$33,402,377 was equal to what was originally anticipated. The actual expenditures and other financing uses however were \$32,261,536, \$1,140,841 lower than the final budgeted amount. This was the result of conservative spending by the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$19,530,673 invested in land, construction in progress, land improvements, buildings, furniture and equipment, and vehicles. Table 6 shows fiscal year 2013 balances compared to fiscal year 2012.

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

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land and construction in progress	\$ 2,171,331	\$ 1,310,377
Land improvements	1,083,218	930,551
Buildings	15,369,639	15,545,212
Furniture and equipment	404,269	341,501
Vehicles	502,216	618,519
Total capital assets	<u>\$ 19,530,673</u>	<u>\$ 18,746,160</u>

The total increase in capital assets is due to current year acquisitions exceeding depreciation expense of the current year. The increase in additions is due an increase in construction projects throughout the School District. See Note 8 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, 2013

Unaudited

Debt

At June 30, 2013 the School District had \$5,044,323 in bonds, notes and capital leases outstanding, including \$21,126 of an unamortized premium from the issuance of the School Facilities Refunding Bonds. Of this outstanding debt, \$1,301,214 is due within one year. Table 7 summarizes the debt outstanding:

Table 7
Outstanding Debt at Fiscal Year End

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
2003 School Facilities Refunding Bonds	\$ 1,485,000	\$ 2,075,000
Unamortized premium	21,126	47,431
2003 Energy Conservation Notes	490,261	577,745
2013 Tax Anticipation Notes	3,000,000	-
Capital leases	<u>47,936</u>	<u>80,147</u>
Total outstanding	<u>\$ 5,044,323</u>	<u>\$ 2,780,323</u>

At June 30, 2013, the School District's overall legal debt limit was \$65,106,544, with an unvoted debt limit of \$769,648. The School District is rated Aaa by Moody's Investors Service. See Note 13 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 Position

June 30, 2013

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 18,169,658
Inventory held for resale	24,444
Materials and supplies inventory	9,590
Receivables:	
Accounts	26,596
Intergovernmental	535,295
Accrued interest	6,672
Taxes	31,215,445
Capital assets:	
Land and construction in progress	2,171,331
Depreciable capital assets, net	17,359,342
Total capital assets	<u>19,530,673</u>
Total assets	<u>69,518,373</u>
<u>Liabilities:</u>	
Accounts payable	217,191
Contracts payable	842,602
Accrued wages	2,344,678
Intergovernmental payable	1,804,611
Accrued interest payable	7,753
Matured compensated absences payable	47,030
Long-term liabilities:	
Due within one year	1,543,381
Due in more than one year	5,238,405
Total liabilities	<u>12,045,651</u>
<u>Deferred inflows of resources:</u>	
Property taxes	<u>29,269,699</u>
<u>Net Position:</u>	
Net investment in capital assets	16,524,748
Restricted for:	
Capital projects	1,715,600
Debt service	356,890
Other purposes	236,588
Unrestricted	<u>9,369,197</u>
Total net position	<u>\$ 28,203,023</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 17,102,275	\$ 791,667	\$ 193,997	\$ -	\$ (16,116,611)
Special	4,401,833	154,834	941,594	-	(3,305,405)
Vocational	586,475	17,067	-	-	(569,408)
Support services:					
Pupils	1,802,639	27,672	-	-	(1,774,967)
Instructional staff	665,876	-	-	-	(665,876)
Board of education	133,319	-	-	-	(133,319)
Administration	1,935,822	-	-	-	(1,935,822)
Fiscal	1,934,988	-	-	-	(1,934,988)
Business	142,475	-	-	-	(142,475)
Operation and maintenance of plant	3,517,394	42,506	-	-	(3,474,888)
Pupil transportation	1,690,850	-	-	-	(1,690,850)
Central	214,980	-	9,000	-	(205,980)
Operation of non-instructional services:					
Food service operations	780,109	445,109	293,487	-	(41,513)
Community services	632,928	6,866	578,068	-	(47,994)
Extracurricular activities	1,143,736	324,216	35,470	121,686	(662,364)
Interest and fiscal charges	70,268	-	-	-	(70,268)
Total governmental activities	\$ 36,755,967	\$ 1,809,937	\$ 2,051,616	\$ 121,686	(32,772,728)

General Revenues:

Property taxes levied for:

General purposes	24,480,649
Debt service	678,992
Capital outlay	1,297,362
Grants and entitlements not restricted to specific programs	6,389,289
Investment earnings	28,066
Decrease in fair value of investments	(32,779)
Miscellaneous	163,228

Total general revenues 33,004,807

Change in net position 232,079

Net position beginning of year, restated 27,970,944

Net position end of year \$ 28,203,023

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Balance Sheet
Governmental Funds
June 30, 2013

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 12,458,210	\$ 4,744,525	\$ 699,092	\$ 17,901,827
Inventory held for resale	-	-	24,444	24,444
Materials and supplies inventory	8,286	-	1,304	9,590
Receivables:				
Accounts	25,660	-	936	26,596
Intergovernmental	419,310	-	115,985	535,295
Accrued interest	6,672	-	-	6,672
Interfund	240,350	-	-	240,350
Taxes	29,061,806	1,436,282	717,357	31,215,445
Total assets	<u>\$ 42,220,294</u>	<u>\$ 6,180,807</u>	<u>\$ 1,559,118</u>	<u>\$ 49,960,219</u>
<u>Liabilities, deferred inflows of resources and fund balances:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 171,672	\$ -	\$ 45,519	\$ 217,191
Contracts payable	-	842,602	-	842,602
Accrued wages	2,209,034	-	135,644	2,344,678
Interfund payable	-	222,404	17,946	240,350
Intergovernmental payable	1,723,771	17,916	62,924	1,804,611
Matured compensated absences payable	28,246	-	18,784	47,030
Total liabilities	<u>4,132,723</u>	<u>1,082,922</u>	<u>280,817</u>	<u>5,496,462</u>
<u>Deferred inflows of resources:</u>				
Property taxes	27,251,988	1,340,937	676,774	29,269,699
Unavailable revenue - delinquent property taxes	798,146	40,804	17,356	856,306
Unavailable revenue - other	331,039	-	13,014	344,053
Total deferred inflows of resources	<u>28,381,173</u>	<u>1,381,741</u>	<u>707,144</u>	<u>30,470,058</u>
<u>Fund balances:</u>				
Nonspendable	8,286	-	-	8,286
Restricted	-	3,716,144	604,243	4,320,387
Assigned	478,169	-	-	478,169
Unassigned	9,219,943	-	(33,086)	9,186,857
Total fund balances	<u>9,706,398</u>	<u>3,716,144</u>	<u>571,157</u>	<u>13,993,699</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 42,220,294</u>	<u>\$ 6,180,807</u>	<u>\$ 1,559,118</u>	<u>\$ 49,960,219</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013

Total governmental fund balances		\$ 13,993,699
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,530,673
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	\$ 856,306	
Intergovernmental	13,014	
Tuition and fees	<u>331,039</u>	
		1,200,359
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		267,831
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (1,506,126)	
Energy conservation notes	(490,261)	
Tax anticipation notes	(3,000,000)	
Compensated absences	(1,737,463)	
Capital leases	(47,936)	
Accrued interest payable	<u>(7,753)</u>	
Total		<u>(6,789,539)</u>
Net position of governmental activities		<u>\$ 28,203,023</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, 2013

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property taxes	\$ 24,768,131	\$ 1,310,628	\$ 686,778	\$ 26,765,537
Intergovernmental	6,262,078	195,283	2,009,940	8,467,301
Interest	28,066	-	346	28,412
Decrease in fair value of investments	(32,779)	-	-	(32,779)
Tuition and fees	615,462	-	-	615,462
Extracurricular activities	-	-	178,540	178,540
Gifts and donations	3,553	121,686	35,470	160,709
Customer services	23,933	-	445,109	469,042
Rent	42,506	-	-	42,506
Miscellaneous	218,987	-	114,036	333,023
Total revenues	31,929,937	1,627,597	3,470,219	37,027,753
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	15,993,026	454,697	62,323	16,510,046
Special	3,412,130	-	1,007,938	4,420,068
Vocational	587,981	-	-	587,981
Support services:				
Pupils	1,802,470	1,176	-	1,803,646
Instructional staff	656,330	-	6,432	662,762
Board of education	133,319	-	-	133,319
Administration	1,878,333	11,114	-	1,889,447
Fiscal	1,825,869	73,768	31,996	1,931,633
Business	137,587	-	-	137,587
Operation and maintenance of plant	2,945,176	420,545	-	3,365,721
Pupil transportation	1,563,408	-	-	1,563,408
Central	205,870	-	9,000	214,870
Operation of non-instructional services:				
Food service operations	-	-	771,645	771,645
Community services	77,775	-	561,966	639,741
Extracurricular activities	650,614	-	395,736	1,046,350
Capital outlay	10,958	1,794,796	-	1,805,754
Debt service:				
Principal retirement	32,211	-	677,484	709,695
Interest and fiscal charges	6,189	-	89,179	95,368
Total expenditures	31,919,246	2,756,096	3,613,699	38,289,041
Excess of revenues over (under) expenditures	10,691	(1,128,499)	(143,480)	(1,261,288)
<u>Other financing sources (uses):</u>				
Long term tax anticipation notes issued	-	3,000,000	-	3,000,000
Transfers in	-	-	30,000	30,000
Transfers out	(30,000)	-	-	(30,000)
Total other financing sources (uses)	(30,000)	3,000,000	30,000	3,000,000
Net change in fund balances	(19,309)	1,871,501	(113,480)	1,738,712
Fund balances at beginning of year	9,725,707	1,844,643	684,637	12,254,987
Fund balances at end of year	\$ 9,706,398	\$ 3,716,144	\$ 571,157	\$ 13,993,699

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, 2013

Net change in fund balances - total governmental funds \$ 1,738,712

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	\$ 1,805,754	
Depreciation expense	(1,021,241)	
Excess of depreciation expense over capital asset additions		784,513

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	\$ (308,534)	
Intergovernmental	(62,212)	
Tuition and fees	331,039	
Net change in deferred inflows of resources during the year		(39,707)

Notes issued provide current financial resources and are reported as revenue in the governmental funds but are not reported as revenue in the statement of activities. (3,000,000)

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 position. 677,484

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 32,211

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:

Decrease in compensated absences	\$ 21,556	
Increase in accrued interest payable	(1,205)	
Amortization of premium	26,305	
Total additional expenditures		46,656

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. (7,790)

Change in net position of governmental activities \$ 232,079

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Taxes	\$ 24,935,041	\$ 26,444,719	\$ 26,444,719	\$ -
Intergovernmental	6,402,262	6,169,930	6,169,930	-
Interest	22,148	25,517	25,517	-
Tuition and fees	392,363	615,671	615,671	-
Rent	21,468	42,090	42,090	-
Gifts and donations	2,789	3,553	3,553	-
Customer services	7,287	6,866	6,866	-
Miscellaneous	105,039	125,200	124,295	(905)
Total revenues	<u>31,888,397</u>	<u>33,433,546</u>	<u>33,432,641</u>	<u>(905)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	17,836,130	17,380,476	16,241,199	1,139,277
Special	3,410,110	3,356,353	3,356,353	-
Vocational	579,336	576,093	576,093	-
Support services:				
Pupils	1,885,663	1,873,857	1,873,857	-
Instructional staff	725,674	676,300	676,300	-
Board of education	160,946	190,424	190,424	-
Administration	1,938,642	1,915,251	1,915,251	-
Fiscal	1,006,700	1,481,793	1,481,793	-
Business	137,510	140,927	140,927	-
Operation and maintenance of plant	3,066,739	3,163,798	3,163,798	-
Pupil transportation	1,674,291	1,665,313	1,665,313	-
Central	228,303	205,620	205,620	-
Operation of non-instructional services:				
Community services	82,214	75,820	75,820	-
Extracurricular activities	663,219	643,667	642,103	1,564
Capital outlay	6,900	6,900	6,900	-
Total expenditures	<u>33,402,377</u>	<u>33,352,592</u>	<u>32,211,751</u>	<u>1,140,841</u>
Excess of revenues over (under) expenditures	<u>(1,513,980)</u>	<u>80,954</u>	<u>1,220,890</u>	<u>1,139,936</u>
<u>Other financing sources (uses):</u>				
Proceeds from sale of capital assets	36,915	36,915	36,915	-
Refund of prior year expenditures	50,698	50,740	50,740	-
Refund of prior year receipts	-	(1,839)	(1,839)	-
Advances in	121,687	121,687	121,687	-
Advances out	-	(17,946)	(17,946)	-
Transfers out	-	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>209,300</u>	<u>159,557</u>	<u>159,557</u>	<u>-</u>
Net change in fund balance	(1,304,680)	240,511	1,380,447	1,139,936
Fund balance at beginning of year	8,963,084	8,963,084	8,963,084	-
Prior year encumbrances appropriated	985,377	985,377	985,377	-
Fund balance at end of year	<u>\$ 8,643,781</u>	<u>\$ 10,188,972</u>	<u>\$ 11,328,908</u>	<u>\$ 1,139,936</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2013

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 267,831
Total assets	<u>\$ 267,831</u>
<u>Net position:</u>	
Unrestricted	267,831
Total liabilities and net position	<u>\$ 267,831</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2013

	<u>Self Insurance</u>
<u>Operating revenues</u>	
Total operating revenues	<u>\$ -</u>
<u>Operating expenses:</u>	
Claims	6,690
Other	1,100
Total operating expenses	<u>7,790</u>
Change in net position	(7,790)
Net position beginning of year	<u>275,621</u>
Net position end of year	<u><u>\$ 267,831</u></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, 2013

	<u>Self Insurance</u>
<u>Cash flows from operating activities:</u>	
Cash payments to suppliers for goods and services	\$ (1,100)
Cash payments for claims	<u>(6,690)</u>
Net cash used for operating activities	<u>(7,790)</u>
Net decrease in cash and cash equivalents	(7,790)
Cash and cash equivalents at beginning of year	<u>275,621</u>
Cash and cash equivalents at end of year	<u>\$ 267,831</u>
Reconciliation of operating loss to net cash <u>used for operating activities:</u>	
Operating loss	<u>\$ (7,790)</u>
Change in assets and liabilities:	<u>-</u>
Net cash used for operating activities	<u>\$ (7,790)</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust <u>Scholarships</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 6,631	\$ 4,919,210
<u>Receivables:</u>		
Accounts	-	75,538
Total assets	<u>\$ 6,631</u>	<u>\$ 4,994,748</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 2,377,063
Undistributed monies	-	2,531,057
Due to students	-	86,628
Total liabilities	<u>-</u>	<u>\$ 4,994,748</u>
<u>Net position:</u>		
Held in trust for scholarships	<u>6,631</u>	
Total net position	<u>\$ 6,631</u>	

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2013

	<u>Scholarships</u>
<u>Additions:</u>	
Total additions	<u>\$ -</u>
<u>Deductions:</u>	
Payments in accordance with trust agreements	<u>500</u>
Change in net position	(500)
Net position beginning of year	7,131
Net position end of year	<u><u>\$ 6,631</u></u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

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 153 non-certificated and 264 certificated full time teaching personnel, including ten administrators, who provide services to 3,234 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 Metropolitan Regional Service Council (MRSC) also known as Northeast Ohio Network for Educational Technology (NEOnet), the Four Cities Vocational Compact, and the Ohio Schools Council, which are defined as jointly governed organizations. 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.

The following activities are included within the reporting entity as an agency fund:

Summit Regional Health Care Consortium (SRHCC) - a separate body corporate and politic comprised of five member districts of Summit County for the purpose of obtaining benefits at a reduced premium for health, dental and vision care. The program for health care is administered by Anthem Blue Cross and Blue Shield. Payments are made to the SRHCC for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The Copley Fairlawn City School District is the fiscal agent of the SRHCC and pays Anthem monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the 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 position 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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

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 and permanent improvement funds are the major funds of the School District:

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.

Permanent Improvement Fund – The permanent improvement capital projects fund is used to account for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 insurance premium expenses of School District employees.

Fiduciary Fund Types:

Fiduciary fund reporting focuses on net position and changes in net position. 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 agency funds account for student managed activities and for monies held in a fiscal agency capacity for SRHCC.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets, liabilities, deferred outflows of resources and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 fund net position. The statement of revenues, expenses and changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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.

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 inflows of resources 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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

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 Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District did not have any outflows of resources at year end.

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance year 2014 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2013

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 2013. 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 position in the account, "Equity in pooled cash and cash equivalents". During the current fiscal year investments were limited to STAR Ohio, overnight repurchase agreements, Federal Securities and a US T-Note. 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 5.

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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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. The School District did not have any prepaids at June 30, 2013.

H. Inventory

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of donated food, purchased food, and expendable supplies held for consumption. The cost of the governmental fund type inventories is recorded as expenditures when used (consumption method).

I. 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 position but are not reported on the fund financial statements.

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 and construction in progress, 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

J. 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 position.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2013

K. 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 "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

L. Accrued Liabilities and Long-term Obligations

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

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 and compensated absences 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.

M. Fund Balance

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

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

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

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

N. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is 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 position 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 position is 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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

P. 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 position.

Q. 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 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	<u>General</u>	<u>Permanent Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable</u>				
Materials and supplies inventory	\$ 8,286	\$ -	\$ -	\$ 8,286
<u>Restricted for</u>				
Athletics	-	-	142,992	142,992
Auxiliary services	-	-	103,116	103,116
Instructional programs	-	-	1,120	1,120
Special education	-	-	12,678	12,678
Capital improvements	-	3,716,144	-	3,716,144
Debt service payments	-	-	344,337	344,337
Total restricted	<u>-</u>	<u>3,716,144</u>	<u>604,243</u>	<u>4,320,387</u>
<u>Assigned</u>				
Rotary	1,603	-	-	1,603
Public school support	67,590	-	-	67,590
Other local grants	16,238	-	-	16,238
Encumbrances	385,453	-	-	385,453
Next fiscal year budget	7,285	-	-	7,285
Total assigned	<u>478,169</u>	<u>-</u>	<u>-</u>	<u>478,169</u>
Unassigned (deficit)	<u>9,219,943</u>	<u>-</u>	<u>(33,086)</u>	<u>9,186,857</u>
Total fund balances	<u>\$ 9,706,398</u>	<u>\$ 3,716,144</u>	<u>\$ 571,157</u>	<u>\$ 13,993,699</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

NOTE 4 - 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. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).
5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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	\$ (19,309)
Revenue accruals	1,656,037
Prior year adjustment to fair market value of investments	(6,539)
Current year adjustments to fair market value of investments	26,240
Advances in	121,687
Expenditure accruals	705,068
Advances out	(17,946)
Budgeted as part of special revenue funds:	
Revenues	(85,379)
Expenditures	70,695
Encumbrances (Budget Basis)	
outstanding at year end	<u>(1,070,107)</u>
Budget basis	<u>\$ 1,380,447</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2013

NOTE 5 - 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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 \$2,086,464. The School District's bank balance of \$2,699,222 was not exposed to custodial credit risk.

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 \$28,066, of which \$5,463 was assigned from other School District funds.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

B. Investments:

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

		Percentage of		
		Single	Portfolio	Maturity
		Issuer	Ratio	
		Ratio		
Government sponsored securities:				
Federal Home Loan Bank note	\$ 400,022			07/12/13
Federal Home Loan Bank note	160,091			08/28/13
Federal Home Loan Bank note	410,249			10/15/13
Federal Home Loan Bank note	435,117			02/18/14
Federal Home Loan Bank note	320,151			03/13/15
Federal Home Loan Bank note	724,883			10/25/13
Total FHLB	<u>2,450,513</u>	12%	12%	
Federal Farm Credit Bank note	<u>524,435</u>	3%	2%	11/14/14
Federal Home Loan Mortgage Corp. note	<u>5,615,000</u>	28%	27%	02/20/41
Government National Mortgage Corp. note	<u>2,140,000</u>	11%	10%	09/15/39
Federal National Mortgage Assn.	5,250,000			01/01/26
Federal National Mortgage Assn. note	250,734			12/18/13
Federal National Mortgage Assn. note	699,545			03/25/15
Federal National Mortgage Assn. note	527,329			01/29/16
Federal National Mortgage Assn. note	719,098			04/29/16
Federal National Mortgage Assn. note	286,509			07/05/16
Federal National Mortgage Assn. note	713,431			11/21/16
Federal National Mortgage Assn. note	172,902			02/27/17
Federal National Mortgage Assn. note	339,289			04/30/18
Total FNMA	<u>8,958,837</u>	46%	43%	
Total government sponsored securities	<u>19,688,785</u>			
US Treasury Note	325,216		1%	04/30/14
StarOhio	<u>995,034</u>		5%	57.5 days (average)
	<u>\$ 21,009,035</u>			

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, 2013.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

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 \$13,005,000 investment in repurchase agreements is to be secured by the specific securities upon which the repurchase agreements are based. The securities, held by the counterparty and not in the School District's name, are Federal National Mortgage Association (FNMA) bonds, Governmental National Mortgage Association (GNMA) bonds and Federal Home Loan Mortgage Corporation (FHLMC) bonds. The securities for these type of repurchase agreements must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related 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. Standard and Poor's has assigned STAROhio an AAAM rating and the FHLB, FFCB, FHLMC, GNMA, and FNMA bonds and notes an AAA rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard service rating. The custodial risk associated with the repurchase agreements is discussed above.

Concentration of credit risk is the possibility of loss attributed to the magnitude of the School District's investment in a single issuer. More than 10 percent of the School District's investments are in government sponsored securities including the underlying investments of the repurchase agreement. The School District places no limit on the amount that may be invested in any one issuer. The table above shows the percentage of these investments held by the School District at June 30, 2013.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in public utilities) located in the School District. Real property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2011. The tax was phased out by reducing the assessment rate on the property over several years. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursement is being phased out.

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 June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2013, was \$1,011,672 in the general fund, \$23,227 in the bond retirement debt service fund, and \$54,541 in the permanent improvement capital project fund. The amount available as an advance at June 30, 2012, was \$2,688,260 in the general fund, \$67,638 in the bond retirement debt service fund, and \$145,458 in the permanent improvement capital project fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been recorded as a deferred inflow.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2013

The assessed values upon which the fiscal year 2013 taxes were collected are:

<u>Property Category</u>	<u>2012 Assessed Value</u>	<u>2011 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 475,449,590	\$ 471,643,000
Commercial and Industrial	266,793,420	270,840,570
Public Utilities	12,420	9,770
<u>Tangible Personal Property</u>		
Public Utilities	<u>27,392,710</u>	<u>15,432,050</u>
Total	<u>\$ 769,648,140</u>	<u>\$ 757,925,390</u>

NOTE 7 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts, interest, 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>
General Fund	\$ 419,310
Special revenue funds:	
IDEA, Part B special education	71,781
Title I	<u>44,204</u>
Total intergovernmental receivable	<u>\$ 535,295</u>

NOTE 8 - CAPITAL ASSETS

During the fiscal year 2013, there was a reclassification of prior year's balance of capital assets being depreciated and accumulated depreciation between land improvements, building and furniture and equipment. This reclassification did not result in a restatement of the financial statements.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

<u>Governmental activities</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 1,209,729	\$ -	\$ -	\$ 1,209,729
Construction in progress	100,648	1,109,454	(248,500)	961,602
Total capital assets, not being depreciated	<u>1,310,377</u>	<u>1,109,454</u>	<u>(248,500)</u>	<u>2,171,331</u>
Capital assets, being depreciated:				
Land improvements	2,880,390	280,320	-	3,160,710
Buildings	35,481,134	530,388	-	36,011,522
Furniture and equipment	2,421,148	134,092	-	2,555,240
Vehicles	1,942,750	-	-	1,942,750
Total capital assets, being depreciated	<u>42,725,422</u>	<u>944,800</u>	<u>-</u>	<u>43,670,222</u>
Less: Accumulated depreciation				
Land improvements	(1,949,839)	(127,653)	-	(2,077,492)
Buildings	(19,935,922)	(705,961)	-	(20,641,883)
Furniture and equipment	(2,079,647)	(71,324)	-	(2,150,971)
Vehicles	(1,324,231)	(116,303)	-	(1,440,534)
Total accumulated depreciation	<u>(25,289,639)</u>	<u>(1,021,241)</u>	<u>-</u>	<u>(26,310,880)</u>
Total capital assets being depreciated, net	<u>17,435,783</u>	<u>(76,441)</u>	<u>-</u>	<u>17,359,342</u>
Governmental activities capital assets, net	<u>\$ 18,746,160</u>	<u>\$ 1,033,013</u>	<u>\$ (248,500)</u>	<u>\$ 19,530,673</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 619,134
Vocational	4,086
Support services:	
Administration	16,296
Operation and maintenance of plant	155,190
Pupil transportation	122,127
Food service operations	7,268
Extracurricular activities	97,140
Total depreciation expense	<u>\$ 1,021,241</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2013 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 240,350	\$ -
Permanent improvement fund		222,404
Nonmajor governmental funds	-	17,946
	<u>\$ 240,350</u>	<u>\$ 240,350</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. As of June 30, 2013, all interfund loans outstanding are anticipated to be repaid in fiscal year 2014.

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 2013, the general fund transferred a total of \$30,000 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. Health Insurance

The School District is a participant in the Summit Regional Health Care Consortium (SRHCC) to provide medical/surgical, dental, vision, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. The SRHCC is a shared risk pool comprised of five Summit County school districts. The employer participants pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$200,000 per participant and an aggregate stop-loss provision of \$2,000,000.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

Premium contributions are determined annually in a manner that ensures the pool is funded up to the aggregate stop loss attachment point of \$2,000,000. In the event of termination, all participating school districts' claims would be paid without regard to their individual account balances. The SRHCC Board of Directors has authority to return monies to an exiting school district subsequent to the settlement of all claims and expenditures.

Changes in the fund's claims liability for the current and prior fiscal years are as follows:

	Balance at <u>6/30/2012</u>	Balance at <u>6/30/2013</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	5,800	6,690
Claim payments	<u>(5,800)</u>	<u>(6,690)</u>
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

The School District has ceased being self-insured. For fiscal year 2012 and 2013, the claims liability is \$0. The claim payments made during the year are run-off claims.

C. Workers' Compensation

The School District participates in an insurance group rating program. 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 Bureau of Worker's Compensation a premium based on a rate per \$100 of salaries.

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 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

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. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the system. For fiscal year 2013, 13.10 percent of annual covered salary was the portion used to fund pension and death benefits. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. 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, 2013, 2012 and 2011 were, \$491,761, \$492,595 and \$541,855, respectively; 66.7 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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.

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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

Funding Policy - For the fiscal year ended June 30, 2013, 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 2012, 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, 2013, 2012 and 2011 were \$1,963,089, \$2,010,142 and \$2,188,063, respectively; 83.2 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$65,084 made by the School District and \$91,118 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 105 (e). For 2013, 0.16 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 2013, this amount was \$20,525.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

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.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$78,537, \$122,873 and \$128,095, respectively; 96.4 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$27,779, \$31,700 and \$34,870, respectively; 66.7 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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 2013, 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, 2013, 2012 and 2011 were \$151,007, \$154,626 and \$168,313, respectively; 83.2 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</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	\$ 2,075,000	\$ -	\$ (590,000)	\$ 1,485,000	\$ 590,000
Unamortized premium	47,431	-	(26,305)	21,126	-
Total bonds	<u>2,122,431</u>	<u>-</u>	<u>(616,305)</u>	<u>1,506,126</u>	<u>590,000</u>
<u>Notes</u>					
2013 Tax Anticipation					
Notes, 1.20%	-	3,000,000	-	3,000,000	585,000
2003 Energy Conservation Notes					
Notes, 3.79%	<u>577,745</u>	<u>-</u>	<u>(87,484)</u>	<u>490,261</u>	<u>90,831</u>
Total notes	<u>577,745</u>	<u>3,000,000</u>	<u>(87,484)</u>	<u>3,490,261</u>	<u>675,831</u>
<u>Other Long-term Obligations</u>					
Long-term compensated absences	1,759,019	278,030	(299,586)	1,737,463	242,167
Capital lease payable	<u>80,147</u>	<u>-</u>	<u>(32,211)</u>	<u>47,936</u>	<u>35,383</u>
Total other long-term obligations	<u>1,839,166</u>	<u>278,030</u>	<u>(331,797)</u>	<u>1,785,399</u>	<u>277,550</u>
Total governmental long-term obligations	<u>\$ 4,539,342</u>	<u>\$ 3,278,030</u>	<u>\$ (1,035,586)</u>	<u>\$ 6,781,786</u>	<u>\$ 1,543,381</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 June 2018.

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. As a result of this issue, a portion of the School Facilities Bonds are considered to be defeased and the liability has been removed. All of the old bonds that were advanced refunded were called.

In 2013, the School District issued \$3,000,000 in Tax Anticipation Notes at an interest rate of 1.20% to pay the costs of remodeling, improving and rehabilitating School District buildings and improving school sites and furnishing and equipping School District buildings. These notes will be repaid from the permanent improvement capital project fund and mature in June 2018.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

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

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2013 are as follows:

Fiscal Year Ending	<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>
2014	\$ 590,000	\$ 46,715	\$ 675,831	\$ 53,428	\$ 1,265,831	\$ 100,143
2015	595,000	23,900	689,307	43,233	1,284,307	67,133
2016	300,000	6,000	697,915	32,485	997,915	38,485
2017	-	-	706,661	21,539	706,661	21,539
2018	-	-	720,547	10,393	720,547	10,393
Total	<u>\$ 1,485,000</u>	<u>\$ 76,615</u>	<u>\$ 3,490,261</u>	<u>\$ 161,078</u>	<u>\$ 4,975,261</u>	<u>\$ 237,693</u>

NOTE 14 – CAPITALIZED LEASES – LESSEE DISCLOSURE

During a prior fiscal year, the School District entered into capitalized lease agreement for the acquisition of copiers. 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 the lease have been capitalized as equipment in the amount of \$100,000. These amounts are equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled \$32,211.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

Fiscal <u>Year</u>	Lease <u>Payments</u>
2014	\$ 38,400
2015	12,800
Total minimum lease payments	51,200
Less: amount representing interest	(3,264)
Total	<u>\$ 47,936</u>

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

The Metropolitan Regional Service Council (MRSC) is the computer service organization or Information Technology Center (ITC) used by the School District. MRSC is also known as Northeast Ohio Network for Educational Technology (NEOnet), which is the name used exclusively prior to their reorganization from a consortium to a council of governments. The superintendent from each member entity is appointed to the legislative body of MRSC known as the assembly. The assembly elects a board of directors consisting of nine members. These members comprise the managerial body of the council and meet at least five times yearly. The operations of MRSC are under the control of the board of directors and the executive director. The purpose of the MRSC is to develop and employ a computer system efficiently and effectively for the needs of the member school districts. All members are required to pay fees, charges and assessments as charged. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. During fiscal year 2013, the School District contributed \$164,988 to MRSC. This contribution includes purchases of software and related items as well as payment for services. Financial information can be obtained by contacting the fiscal agent at 700 Graham Road, Cuyahoga Falls, Ohio 44221.

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.

The Ohio Schools Council (Council) is a jointly governed organization among 198 school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2013, the School District paid \$4,007 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

NOTE 16 – CONTINGENCIES

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.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

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 are 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

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 June 30, 2013.

NOTE 17 - STATUTORY RESERVES

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. The following information describes the change in the year-end set-aside amounts for capital maintenance.

	<u>Capital Maintenance Reserve</u>
Set-aside cash balance as of June 30, 2012	\$ -
Current year set-aside requirement	548,351
Current year offset	(1,570,533)
Qualifying disbursements	<u>(435,005)</u>
Total	<u>\$ (1,457,187)</u>

Although the School District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

NOTE 18 - FUND DEFICITS

As of June 30, 2013, 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:	
Food service	\$ 14,294
IDEA, Part B	18,792

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2013

NOTE 19 – CONTRACTUAL COMMITMENTS/ENCUMBRANCES

As of June 30, 2013, the School District had significant contractual commitments/encumbrances for the following:

<u>Fund/Project</u>	<u>Purchase Order Amount</u>	<u>Paid as of June 30, 2013</u>	<u>Remaining Commitment</u>
Permenant Improvement fund:			
Architech/design services	\$ 176,275	\$ 125,620	\$ 50,655
Roofing projects	1,854,789	739,243	1,115,546
Door and window replacements	186,200	-	186,200
Parking lot lights	196,038	96,739	99,299
	<u>\$ 2,413,302</u>	<u>\$ 961,602</u>	<u>\$ 1,451,700</u>

NOTE 20 – IMPLEMENTATION OF NEW ACCOUNTING STANDARD

For fiscal year 2013, the School District has implemented Governmental Accounting Standards Board Statement (GASBS) No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”.

GASBS No. 63 established standards for the reporting of net position which was previously referred to as net assets. The School District’s implementation had no effect on the amount of beginning net position.

For fiscal year 2013, the School District has also implemented Governmental Accounting Standards Board Statement (GASBS) No. 65, “Items Previously Reported as Assets and Liabilities”.

GASBS No. 65 established standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. In prior periods the School District had reported assets related to the unamortized debt issuance costs in the governmental activity entity wide financial statements. GASBS No. 65 has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The School District’s implementation of GASBS No. 65 had the following effect on the amount of beginning net position.

	<u>Governmental Activities</u>
Net position, June 30, 2012	\$ 27,978,965
Prior period adjustments:	
Unamortized debt issuance costs	<u>(8,021)</u>
Restated net position, July 1, 2012	<u>\$ 27,970,944</u>

THIS PAGE INTENTIONALLY LEFT BLANK.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster - National School Lunch Program	049981-3L60-2013	10.555	\$ 228,136	\$ 44,016	\$ 228,136	\$ 44,016
Total U.S. Department of Agriculture-Child Nutrition Cluster			<u>228,136</u>	<u>44,016</u>	<u>228,136</u>	<u>44,016</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies Cluster:						
Title I Grants to Local Educational Agencies	049981-3M00-2012	84.010	30,332		42,543	
Title I Grants to Local Educational Agencies	049981-3M00-2013	84.010	247,267		244,976	
ARRA - Title I - Grants to Local Educational Agencies	049981-3DK0-2011	84.389	500		500	
Total Title I Grants to Local Educational Agencies			<u>278,099</u>		<u>288,019</u>	
Special Education Cluster:						
Special Education Grants to States	049981-3M20-2012	84.027	133,878		156,362	
Special Education Grants to States	049981-3M20-2013	84.027	539,812		549,473	
Special Education Preschool Grants	049981-3C50-2012	84.173	-		500	
Total Special Education Grants to States			<u>673,690</u>		<u>706,335</u>	
English Language Acquisition Grant						
English Language Acquisition Grant - Immigrant	049981-3Y70-2012	84.365	6,980		6,980	
Total English Language Acquisition Grant			<u>38,030</u>		<u>38,030</u>	
Improving Teacher Quality State Grants						
Improving Teacher Quality State Grants	049981-3Y60-2012	84.367	582		582	
Improving Teacher Quality State Grants	049981-3Y60-2013	84.367	63,164		62,107	
Total Improving Teacher Quality State Grants			<u>63,746</u>		<u>62,689</u>	
Total U.S. Department of Education			<u>1,053,565</u>		<u>1,095,073</u>	
Total Federal Financial Assistance			<u>\$ 1,281,701</u>	<u>\$ 44,016</u>	<u>\$ 1,323,209</u>	<u>\$ 44,016</u>

The accompanying notes are an integral part of this schedule.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Copley-Fairlawn City School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C - FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2013 to 2014 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2013 to 2014</u>
Title I Grants to Local Educational Agencies	84.010	\$ 12,004



Dave Yost • Auditor of State

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

Copley-Fairlawn City School District
Summit County
3797 Ridgewood Road
Copley, Ohio 44321

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copley-Fairlawn City School District, Summit County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2014, wherein we noted the District adopted the provisions of Governmental Accounting Standards No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and No. 65, "Items Previously Reported as Assets and Liabilities".

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 30, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Copley-Fairlawn City School District
Summit County
3797 Ridgewood Road
Copley, Ohio 44321

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Copley-Fairlawn City School District's, Summit County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Copley-Fairlawn City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 30, 2014

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA #84.027 and #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

THIS PAGE INTENTIONALLY LEFT BLANK.



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Copley-Fairlawn City School District
Summit County
3797 Ridgewood Road
Copley, Ohio 44321

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on June 26, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 30, 2014

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

This page intentionally left blank.



Dave Yost • 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
FEBRUARY 11, 2014**