

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

Board of Education
Copley-Fairlawn City School District
Copley, Ohio

We have reviewed the *Independent Auditor's Report* of the Copley-Fairlawn City School District, Summit County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 2, 2005

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**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of governmental activities, each major fund and the aggregate remaining fund information of the Copley-Fairlawn City School District (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2004 and respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

INDEPENDENT AUDITOR'S REPORT (continued)

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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

May 23, 2005

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

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, 2004. 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 2004 are as follows:

- General revenues accounted for \$27,888,510 in revenue or 89.3% 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 \$3,333,769 or 10.7% of total revenues of \$31,222,279.
- Governmental expenditures totaled \$30,089,047; program revenues offset only \$3,333,769 of these expenses. However, general revenues were available and applied to cover the cost of providing these programs and resulted in an increase in net assets of \$1,133,232.
- Expenses directly related to the instruction of students totaled \$16,302,752, or 54.2% of all governmental expenditures.
- At the end of the fiscal year, the general fund had a balance of \$3,772,867, an increase of \$1,427,495 over the prior year.

Using this Annual Financial Report

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

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

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and helps answer the question, "How did we do financially during 2004?" The statement of net assets and statement of activities are designed to answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Assets		
<i>Current and other assets</i>	\$ 31,934,755	\$ 29,187,238
<i>Capital assets, net of depreciation</i>	18,825,055	19,753,241
<i>Total assets</i>	<u>50,759,810</u>	<u>48,940,479</u>
Liabilities		
<i>Current and other liabilities</i>	25,774,779	24,783,243
<i>Long-term liabilities:</i>		
<i>Due within one year</i>	1,993,637	1,941,977
<i>Due in more than one year</i>	9,760,823	10,117,920
<i>Total liabilities</i>	<u>37,529,239</u>	<u>36,843,140</u>
Net Assets		
<i>Invested in capital assets, net of debt</i>	8,727,168	9,280,377
<i>Restricted</i>	893,025	965,064
<i>Unrestricted</i>	3,610,378	1,851,898
<i>Total net assets</i>	<u>\$ 13,230,571</u>	<u>\$ 12,097,339</u>

Over time, net assets can serve as a useful indicator of a government's financial position. During fiscal year 2004, the School District had an increase in net assets of \$1,133,232.

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

A portion of the School District's net assets, \$893,025, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net assets, \$469,885 is restricted for debt service payments, and \$423,140 is restricted for other purposes. The remaining balance of net assets of \$3,610,378 is unrestricted.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

Table 2 shows change in net assets for fiscal year 2004 compared to fiscal year 2003.

Table 2
Change in Net Assets

	<i>Governmental Activities</i>	
	<u>2004</u>	<u>2003</u>
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 1,743,999	\$ 1,218,982
Operating grants, contributions and interest	1,569,725	1,501,645
Capital grants and contributions	20,045	84,428
<i>General revenues:</i>		
Property taxes	22,874,237	22,810,978
Grants and entitlements	4,831,084	4,783,994
Investment earnings	78,394	86,226
Miscellaneous	104,795	168,095
Total revenues	<u>31,222,279</u>	<u>30,654,348</u>
Program Expenses		
<i>Instruction:</i>		
Regular	13,785,269	13,784,997
Special	1,816,577	1,722,828
Vocational	698,680	733,790
Adult/continuing	2,226	13,766
<i>Support services:</i>		
Pupils	1,373,384	1,408,539
Instructional staff	1,420,641	1,380,681
Board of education	140,820	132,550
Administration	1,618,572	1,691,581
Fiscal	721,094	701,267
Business	129,312	121,289
Operation and maintenance of plant	4,031,688	2,776,255
Pupil transportation	1,223,711	1,172,644
Central	194,409	158,691
<i>Operation of non-instructional services:</i>		
Food service operations	778,028	787,437
Community services	574,640	622,338
Extracurricular activities	1,056,968	1,030,416
Interest and fiscal charges	523,028	852,011
Total expenses	<u>30,089,047</u>	<u>29,091,080</u>
Increase in net assets	<u>\$ 1,133,232</u>	<u>\$ 1,563,268</u>

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

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 \$22.8 million in 2004. General revenues from grants and entitlements, such as the school foundation program, generated over \$4.8 million. With the combination of taxes and intergovernmental funding 88.7% 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 \$16,302,752 or 54.1% 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 \$2,794,025, or 9.3%, of the total governmental program expenses.

The Board of education, administration, fiscal and business classifications reflect expenses associated with establishing and administering school policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was \$2,609,798, or 8.7%, 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 \$4,031,688, or 13.4%, 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 2004 as compared to fiscal year 2003.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

Table 3
Governmental Activities

<i>Program Expenses</i>	<i>Total Cost of Services</i>		<i>Net Cost of Services</i>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<i>Instruction:</i>				
<i>Regular</i>	\$ 13,785,269	\$ 13,784,997	\$ (13,012,618)	\$ (13,354,397)
<i>Special</i>	1,816,577	1,722,828	(1,356,541)	(1,295,832)
<i>Vocational</i>	698,680	733,790	(679,528)	(706,639)
<i>Adult/continuing</i>	2,226	13,766	(1,721)	4,695
<i>Other</i>	-	-	-	8,623
<i>Support services:</i>				
<i>Pupils</i>	1,373,384	1,408,539	(1,263,518)	(1,315,141)
<i>Instructional staff</i>	1,420,641	1,380,681	(1,308,769)	(1,368,978)
<i>Board of education</i>	140,820	132,550	(140,820)	(132,550)
<i>Administration</i>	1,618,572	1,691,581	(1,615,689)	(1,667,396)
<i>Fiscal</i>	721,094	701,267	(721,094)	(701,267)
<i>Business</i>	129,312	121,289	(129,312)	(121,289)
<i>Operation and maintenance of plant</i>	4,031,688	2,776,255	(4,000,908)	(2,773,559)
<i>Pupil transportation</i>	1,223,711	1,172,644	(1,203,666)	(1,130,379)
<i>Central</i>	194,409	158,691	(176,770)	(129,726)
<i>Operation on non-instructional services:</i>				
<i>Food service operations</i>	778,028	787,437	(3,954)	(42,911)
<i>Community services</i>	574,640	622,338	(9,732)	(113,085)
<i>Extracurricular activities</i>	1,056,968	1,030,416	(607,610)	(594,183)
<i>Interest and fiscal charges</i>	523,028	852,011	(523,028)	(852,011)
<i>Total</i>	<u>\$ 30,089,047</u>	<u>\$ 29,091,080</u>	<u>\$ (26,755,278)</u>	<u>\$ (26,286,025)</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 \$31,339,568 and total expenditures were \$30,996,557. The change in fund balance for the School District's only major fund, the general fund, was an increase of \$1,427,495. This increase was able to be reported, as expenses were able to be kept in line with available revenues.

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 2004, the School District amended its general fund revenue budget as more accurate property tax, State foundation and grant information became available. The School District did not amend its general fund expenditures budget. All budget revisions are presented to the Board of Education for approval.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

For the general fund, the original budgeted revenue estimate was \$27,333,498. This amount was decreased during the year by \$200,167, resulting in a final revenue budget of \$27,133,331. Actual expenditures reported were \$842,130 less than the original and final budgeted amount of \$26,045,000; \$282,421 of this amount is reflected as encumbrances outstanding at year-end.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$18,825,055 invested in land, land improvements, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to fiscal year 2003.

Table 4
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>Restated</u> <u>2003</u>
<i>Land</i>	\$ 1,209,729	\$ 1,209,729
<i>Land improvements</i>	499,178	535,824
<i>Buildings and improvements</i>	15,269,369	15,912,340
<i>Furniture, fixtures and equipment</i>	1,458,200	1,633,430
<i>Vehicles</i>	388,579	461,918
<i>Total capital assets</i>	<u>\$ 18,825,055</u>	<u>\$ 19,753,241</u>

There were no major purchases, acquisitions or construction projects made by the School District during the fiscal year. The total decrease in the value of assets, as compared to the prior year, is due to the current year's depreciation on the School District's assets. 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, 2004

Unaudited

Debt

At June 30, 2004 the School District had \$9,732,049 in bonds and notes outstanding, including \$578,712 of an unamortized premium from the issuance of the 2004 School Facilities Refunding Bonds. Of this outstanding debt, \$1,679,786 is due within one year. Table 5 summarizes the debt and capital leases outstanding:

*Table 5
Outstanding Debt and Capital Leases, at Fiscal Year End*

	<i>Governmental Activities</i>	
	<u>2004</u>	<u>2003</u>
<i>1993 School Facilities Bonds</i>	\$ -	\$ 530,000
<i>2003 School Facilities Refunding Bonds</i>	5,804,990	5,934,990
<i>Accretion on bonds</i>	227,332	
<i>Unamortized premium</i>	578,712	666,552
<i>1996 Energy Conservation Notes</i>	625,000	915,000
<i>2003 Energy Conservation Notes</i>	1,171,015	-
<i>2001 Tax Anticipation Notes</i>	1,325,000	1,945,000
<i>Capital leases</i>	463,700	594,038
<i>Total outstanding</i>	<u>\$ 10,195,749</u>	<u>\$ 10,585,580</u>

At June 30, 2004 the School District's overall legal debt limit was \$57,782,406, with an unvoted debt limit of \$742,414. The School District is rated Aaa by Moody's Investors Service. See Note 15 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.

A challenge facing the School District is the future of State funding. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Ohio General Assembly was directed to enact a school-funding mechanism that is to be thorough and efficient. The School District is unable to determine what effect, if any, this decision will have on future funding from the State. See Note 17 to the basic financial statements for more on this contingent matter.

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.

Copley-Fairlawn City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

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

Contacting the School District's Financial Management

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

Copley-Fairlawn City School District
Statement of Net Assets
June 30, 2004

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 6,861,430
Cash and cash equivalents:	
In segregated accounts	283,611
Inventory held for resale	18,646
Materials and supplies inventory	39,525
Deferred charges	97,862
Receivables:	
Accounts	148,180
Intergovernmental	79,932
Taxes	24,385,648
Prepaid items	19,921
Capital assets:	
Land	1,209,729
Depreciable capital assets, net	17,615,326
Total capital assets	<u>18,825,055</u>
Total assets	<u>50,759,810</u>
<u>Liabilities:</u>	
Accounts payable	167,519
Accrued wages	1,805,869
Compensated absences payable	208,615
Intergovernmental payable	905,508
Accrued interest payable	25,385
Claims payable	157,916
Deferred revenue	22,503,967
Long-term liabilities:	
Due within one year	1,993,637
Due in more than one year	9,760,823
Total liabilities	<u>37,529,239</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	8,727,168
Restricted for:	
Capital projects	(288,488)
Debt service	469,885
Set asides	60,340
Other purposes	651,288
Unrestricted	<u>3,610,378</u>
Total net assets	<u>\$ 13,230,571</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 13,785,269	\$ 612,591	\$ 160,060	\$ -	\$ (13,012,618)
Special	1,816,577	-	460,036	-	(1,356,541)
Vocational	698,680	16,821	2,331	-	(679,528)
Adult/continuing	2,226	505	-	-	(1,721)
Support services:					
Pupils	1,373,384	13,723	96,143	-	(1,263,518)
Instructional staff	1,420,641	19,651	92,221	-	(1,308,769)
Board of education	140,820	-	-	-	(140,820)
Administration	1,618,572	2,883	-	-	(1,615,689)
Fiscal	721,094	-	-	-	(721,094)
Business	129,312	-	-	-	(129,312)
Operation and maintenance of plant	4,031,688	25,429	5,351	-	(4,000,908)
Pupil transportation	1,223,711	-	-	20,045	(1,203,666)
Central	194,409	-	17,639	-	(176,770)
Operation of non-instructional services:					
Food service operations	778,028	634,118	139,956	-	(3,954)
Community services	574,640	17,435	547,473	-	(9,732)
Extracurricular activities	1,056,968	400,843	48,515	-	(607,610)
Interest and fiscal charges	523,028	-	-	-	(523,028)
Total governmental activities	<u>\$ 30,089,047</u>	<u>\$ 1,743,999</u>	<u>\$ 1,569,725</u>	<u>\$ 20,045</u>	<u>(26,755,278)</u>

General Revenues:

Property taxes levied for:

General purposes	20,764,050
Debt service	1,635,986
Capital outlay	474,201
Grants and entitlements not restricted to specific programs	4,831,084
Investment earnings	78,394
Miscellaneous	104,795

Total general revenues 27,888,510

Change in net assets 1,133,232

Net assets beginning of year - (See Note 3) 12,097,339

Net assets end of year \$ 13,230,571

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 4,822,133	\$ 1,311,718	\$ 6,133,851
Inventory held for resale	-	18,646	18,646
Materials and supplies inventory	33,119	6,406	39,525
Receivables:			
Accounts	131,052	17,128	148,180
Intergovernmental	-	79,932	79,932
Interfund	380,936	-	380,936
Taxes	22,130,070	2,255,578	24,385,648
Prepaid items	19,921	-	19,921
Equity in pooled cash and cash equivalents (restricted)	60,340	-	60,340
Total assets	<u>\$ 27,577,571</u>	<u>\$ 3,689,408</u>	<u>\$ 31,266,979</u>
<u>Liabilities and fund balances:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 75,286	\$ 92,233	\$ 167,519
Accrued wages	1,701,765	104,104	1,805,869
Compensated absences payable	208,615	-	208,615
Interfund payable	-	380,936	380,936
Intergovernmental payable	644,970	39,724	684,694
Deferred revenue	21,174,068	2,199,268	23,373,336
Total liabilities	<u>23,804,704</u>	<u>2,816,265</u>	<u>26,620,969</u>
<u>Fund balances:</u>			
Reserved for encumbrances	282,421	74,211	356,632
Reserved for bus purchases	60,340	-	60,340
Unreserved,			
Undesignated, reported in:			
General fund	3,430,106	-	3,430,106
Special revenue funds	-	688,216	688,216
Debt service fund	-	479,942	479,942
Capital projects funds	-	(369,226)	(369,226)
Total fund balances	<u>3,772,867</u>	<u>873,143</u>	<u>4,646,010</u>
Total liabilities and fund balances	<u>\$ 27,577,571</u>	<u>\$ 3,689,408</u>	<u>\$ 31,266,979</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2004

Total governmental fund balances		\$ 4,646,010
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,825,055
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes	\$ 805,637	
Intergovernmental	<u>63,732</u>	
		869,369
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 assets.		792,934
Deferred charges are included in the governmental activities in the statement of net assets.		97,862
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and are therefore not reported in the funds.		(220,814)
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	\$ (9,732,049)	
Compensated absences	(1,558,711)	
Capital leases	(463,700)	
Accrued interest payable	(25,385)	
Total	<u>(11,779,845)</u>	
Net assets of governmental activities		<u>\$ 13,230,571</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, 2004

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property taxes	\$ 20,891,202	\$ 2,123,116	\$ 23,014,318
Intergovernmental	4,652,059	1,732,733	6,384,792
Interest	78,394	1,706	80,100
Tuition and fees	558,252	-	558,252
Extracurricular activities	-	214,875	214,875
Gifts and donations	4,300	63,065	67,365
Customer services	17,435	670,729	688,164
Rent	25,429	-	25,429
Miscellaneous	100,497	205,776	306,273
Total revenues	<u>26,327,568</u>	<u>5,012,000</u>	<u>31,339,568</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	13,128,262	164,810	13,293,072
Special	1,319,649	485,772	1,805,421
Vocational	686,133	19,680	705,813
Adult/continuing	-	2,226	2,226
Support services:			
Pupils	1,286,849	111,967	1,398,816
Instructional staff	1,330,856	114,365	1,445,221
Board of education	143,284	-	143,284
Administration	1,471,617	7,723	1,479,340
Fiscal	685,593	30,929	716,522
Business	115,728	-	115,728
Operation and maintenance of plant	3,830,983	68,097	3,899,080
Pupil transportation	1,154,908	-	1,154,908
Central	174,535	17,639	192,174
Operation of non-instructional services:			
Food service operations	-	772,339	772,339
Community services	92,766	480,370	573,136
Extracurricular activities	534,606	404,668	939,274
Capital outlay	86,194	147,169	233,363
Debt service:			
Principal retirement	33,460	1,729,277	1,762,737
Interest and fiscal charges	6,881	357,222	364,103
Total expenditures	<u>26,082,304</u>	<u>4,914,253</u>	<u>30,996,557</u>
Excess of revenues over (under) expenditures	<u>245,264</u>	<u>97,747</u>	<u>343,011</u>
<u>Other financing sources (uses):</u>			
Proceeds of notes	1,233,414	-	1,233,414
Transfers in	-	51,183	51,183
Transfers out	(51,183)	-	(51,183)
Total other financing sources (uses)	<u>1,182,231</u>	<u>51,183</u>	<u>1,233,414</u>
Net change in fund balances	1,427,495	148,930	1,576,425
Fund balances at beginning of year	2,345,372	724,213	3,069,585
Fund balances at end of year	<u>\$ 3,772,867</u>	<u>\$ 873,143</u>	<u>\$ 4,646,010</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004

Net change in fund balances - total governmental funds	\$ 1,576,425
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	\$ 233,363
Depreciation expense	<u>(1,161,549)</u>
Excess of capital outlay over depreciation expense	(928,186)
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	\$ (140,081)
Intergovernmental	(28,709)
Tuition and fees	<u>51,501</u>
Net change in deferred revenues during the year	(117,289)
Proceeds of notes provide current financial resources and are reported as revenue in the governmental funds but are not reported as revenue in the statement of activities.	(1,233,414)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,632,399
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	130,338
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Increase in compensated absences	\$ (84,394)
Decrease in pension obligation	11,884
Increase in accrued interest	(4,579)
Amortization of deferred charge	(14,854)
Bond accretion	(227,332)
Amortization of premium	87,840
Total additional expenditures	<u>(231,435)</u>
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.	<u>304,394</u>
Change in net assets of governmental activities	<u>\$ 1,133,232</u>

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, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Taxes	\$ 21,888,263	\$ 21,748,834	\$ 21,748,834	\$ -
Intergovernmental	4,820,234	4,652,060	4,652,059	(1)
Interest	71,559	76,355	78,394	2,039
Tuition and fees	421,968	513,875	481,474	(32,401)
Rent	28,704	30,628	29,337	(1,291)
Gifts and donations	3,769	4,580	4,300	(280)
Customer services	-	17,435	17,435	-
Miscellaneous	99,001	89,564	86,788	(2,776)
Total revenues	<u>27,333,498</u>	<u>27,133,331</u>	<u>27,098,621</u>	<u>(34,710)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	13,421,466	13,421,233	13,280,951	140,282
Special	1,486,490	1,486,464	1,438,996	47,468
Vocational	714,059	714,047	695,130	18,917
Support services:				
Pupils	1,350,296	1,350,273	1,291,082	59,191
Instructional staff	1,452,455	1,452,430	1,321,984	130,446
Board of education	183,952	183,949	177,681	6,268
Administration	1,654,113	1,654,084	1,513,052	141,032
Fiscal	704,146	704,134	689,652	14,482
Business	120,890	120,888	117,511	3,377
Operation and maintenance of plant	2,869,658	2,869,608	2,707,436	162,172
Pupil transportation	1,300,521	1,300,498	1,197,964	102,534
Central	147,698	147,695	138,813	8,882
Operation of non-instructional services:				
Community services	95,847	95,845	95,068	777
Extracurricular activities	540,453	540,852	534,550	6,302
Capital outlay	2,956	3,000	3,000	-
Total expenditures	<u>26,045,000</u>	<u>26,045,000</u>	<u>25,202,870</u>	<u>842,130</u>
Excess of revenues over (under) expenditures	<u>1,288,498</u>	<u>1,088,331</u>	<u>1,895,751</u>	<u>807,420</u>
<u>Other financing sources (uses):</u>				
Proceeds from sale of fixed assets	-	112	112	-
Refund of prior year expenditures	-	11,047	11,127	80
Refund of prior year receipts	-	(3,300)	(3,148)	152
Advances in	-	359,000	359,000	-
Advances out	-	(30,000)	(29,936)	64
Transfers out	-	(52,000)	(51,183)	817
Total other financing sources (uses)	<u>-</u>	<u>284,859</u>	<u>285,972</u>	<u>1,113</u>
Net change in fund balance	1,288,498	1,373,190	2,181,723	808,533
Fund balance at beginning of year	1,866,493	1,866,493	1,866,493	-
Prior year encumbrances appropriated	468,977	468,977	468,977	-
Fund balance at end of year	<u>\$ 3,623,968</u>	<u>\$ 3,708,660</u>	<u>\$ 4,517,193</u>	<u>\$ 808,533</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2004

	Self Insurance
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 667,239
Cash and cash equivalents:	
In segregated accounts	283,611
Total assets	<u>\$ 950,850</u>
<u>Liabilities:</u>	
Claims payable	<u>157,916</u>
<u>Net assets:</u>	
Unrestricted	792,934
Total liabilities and net assets	<u>\$ 950,850</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	Self Insurance
<u>Operating revenues</u>	
Charges for services	\$ 2,330,518
<u>Operating expenses:</u>	
Purchased services	371,895
Claims	1,654,229
Total operating expenses	<u>2,026,124</u>
Operating income	<u>304,394</u>
Change in net assets	304,394
Net assets beginning of year	488,540
Net assets end of year	<u>\$ 792,934</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, 2004

	Self Insurance
<u>Cash flows from operating activities:</u>	
Cash received for charges for services	\$ 2,330,518
Cash payments to suppliers for goods and services	(371,895)
Cash payments for claims	<u>(1,706,445)</u>
Net cash provided by operating activities	<u>252,178</u>
 Net increase in cash and cash equivalents	 252,178
 Cash and cash equivalents at beginning of year	 <u>698,672</u>
Cash and cash equivalents at end of year	<u>\$ 950,850</u>
 <u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	<u>\$ 304,394</u>
 Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (decrease) in liabilities:	
Claims payable	<u>(52,216)</u>
Net cash provided by operating activities	<u>\$ 252,178</u>

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	
	Scholarships	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ 8,640	\$ 100,478
<u>Liabilities:</u>		
Due to students	-	100,478
Total liabilities	-	\$ 100,478
<u>Net assets:</u>		
Held in trust for scholarships	8,640	
Total net assets	\$ 8,640	

See accompanying notes to the basic financial statements.

Copley-Fairlawn City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2004

	<u>Scholarships</u>
<u>Additions:</u>	
Gifts and donations	\$ 500
Miscellaneous	4,130
Total additions	<u>4,630</u>
 <u>Deductions:</u>	
Payments in accordance with trust agreements	<u>5,500</u>
Change in net assets	(870)
Net assets beginning of year	9,510
Net assets end of year	<u>\$ 8,640</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, 2004

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 147 non-certificated and 232 certificated full time teaching personnel, including nine administrators, who provide services to 3,261 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District had no component units at year end.

The School District is associated with the Northeast Ohio Network for Educational Technology and the Four Cities Vocational Compact, which are defined as a jointly governed organization. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented in Note 16.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds:

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

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

Proprietary Funds:

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

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

Fiduciary Fund Types:

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

C. Measurement Focus

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

Expenditures/Expenses

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

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

E. Budgetary Data

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

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

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

F. Cash and Investments

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

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

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

The School District invested funds in STAR Ohio during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2004.

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

G. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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

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

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside as reserves to be expended on the purchases of school buses. See Note 18 for additional information regarding restricted assets.

Copley-Fairlawn City School District
 Notes to the Basic Financial Statements
 For the fiscal year ended June 30, 2004

J. Capital Assets

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

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

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

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

K. Interfund Balances

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

L. Compensated Absences

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

M. 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 judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

N. Net Assets

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

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

O. Operating Revenues and Expenses

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

P. Fund Balance Reserves

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

Q. Interfund Transactions

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

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

R. Estimates

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

NOTE 3 – RESTATEMENT OF NET ASSETS

Net assets at June 30, 2003 have been restated for land improvements, furniture, fixtures, and equipment, and vehicles. Depreciation expense for these assets was erroneously calculated in a prior year.

The restatement had the following effect on net assets at June 30, 2003:

<i>Net Assets, June 30, 2003</i>	\$ 11,649,554
<i>Correction of depreciation expense</i>	<u>447,785</u>
<i>Restated change in Net assets, as of June 30, 2003</i>	<u><u>\$ 12,097,339</u></u>

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. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

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

<i>Net Change in Fund Balance</i>	
	<u><i>General</i></u>
<i>GAAP Basis</i>	\$ 1,427,495
<i>Revenue Accruals</i>	(92,122)
<i>Expenditure Accruals</i>	1,128,771
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at year end</i>	<u>(282,421)</u>
<i>Budget Basis</i>	<u>\$ 2,181,723</u>

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;

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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:

At fiscal year end the carrying amount of the School District's deposits and petty cash totaled (\$135,273) and the bank balances of the deposits totaled \$284,539. Of the bank balance, \$100,000 was covered by federal depository insurance. \$184,539 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

B. Investments:

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of credit risk. Category 1 includes investments that are insured or registered or for which the School District or its agent in the School District's name holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in repurchase agreements, which are Category 3 investments, had a carrying and fair value in the amount of \$780,000 at June 30, 2004.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

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 \$78,394, of which \$13,646 was assigned from other School District funds.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting". The reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<i>Cash and Cash Equivalents/ Deposits</i>	<i>Investments</i>
<i>GASB Statement No. 9</i>	\$ 7,254,159	\$ -
<i>Investments which are part of a cash management pool:</i>		
<i>Repurchase Agreement</i>	(780,000)	780,000
<i>STAR Ohio</i>	<u>(6,609,432)</u>	<u>6,609,432</u>
<i>GASB Statement No. 3</i>	<u>\$ (135,273)</u>	<u>\$ 7,389,432</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year are levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2001 for the following tax year. Public utility property taxes are assessed on tangible personal property at 85% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true 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 earlier or later payment dates to be established.

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$848,749 in the general fund, and \$41,077 in the Permanent Improvement capital projects fund and \$19,142 in the Bond Retirement debt service fund. These advances are recognized as revenue on the fund financial statements. On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

There were no new levies passed during the current fiscal year. The assessed values upon which the current fiscal year taxes were collected are:

<u>Property Category</u>	<u>2002 Assessed Value</u>	<u>2003 Assessed Value</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 406,668,690	\$ 418,677,110
Commercial and Industrial	251,401,870	250,727,500
Public Utilities	18,590	18,900
<u>Tangible Personal Property</u>		
General	63,872,502	54,802,831
Public Utilities	18,599,920	18,187,410
Total	<u>\$ 740,561,572</u>	<u>\$ 742,413,751</u>

NOTE 7 - RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities</u>	<u>Amount</u>
<u>Special revenue funds:</u>	
Title I	\$ 33,063
Title VI-B	32,975
Title III	7,121
Miscellaneous state grants	5,703
Vocational education	1,070
Total intergovernmental receivable	<u>\$ 79,932</u>

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

NOTE 8 - CAPITAL ASSETS

The capital asset balances of the governmental activities have been restated due to depreciation being erroneously calculated in a prior year. (See Note 3 for details). Below is a summary of the effect of these restatements:

	<i>Balance</i>		<i>Restated</i>
	<i>June 30, 2003</i>	<i>Adjustments</i>	<i>Balance</i>
			<i>June 30, 2003</i>
<i>Governmental Activities</i>			
<i>Land</i>	\$ 1,209,729	\$ -	\$ 1,209,729
<i>Land improvements</i>	1,580,535	-	1,580,535
<i>Buildings</i>	28,997,147	-	28,997,147
<i>Furniture and equipment</i>	3,130,870	-	3,130,870
<i>Vehicles</i>	1,802,190	-	1,802,190
<i>Less: Accumulated depreciation</i>	<u>(17,415,015)</u>	<u>447,785</u>	<u>(16,967,230)</u>
<i>Total</i>	<u>\$ 19,305,456</u>	<u>\$ 447,785</u>	<u>\$ 19,753,241</u>

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<i>Restated</i>			<i>Balance</i>
	<i>Balance</i>	<i>Additions</i>	<i>Disposals</i>	<i>June 30, 2004</i>
<u><i>Governmental Activities</i></u>	<u><i>June 30, 2003</i></u>	<u></u>	<u></u>	<u><i>June 30, 2004</i></u>
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$ 1,209,729	\$ -	\$ -	\$ 1,209,729
<i>Total capital assets, not being depreciated</i>	<u>1,209,729</u>	<u>-</u>	<u>-</u>	<u>1,209,729</u>
<i>Capital assets, being depreciated:</i>				
<i>Land improvements</i>	1,580,535	36,197	-	1,616,732
<i>Buildings</i>	28,997,147	83,456	-	29,080,603
<i>Furniture and equipment</i>	3,130,870	89,210	(7,105)	3,212,975
<i>Vehicles</i>	<u>1,802,190</u>	<u>24,500</u>	<u>-</u>	<u>1,826,690</u>
<i>Total capital assets, being depreciated</i>	<u>35,510,742</u>	<u>233,363</u>	<u>(7,105)</u>	<u>35,737,000</u>
<i>Less: Accumulated depreciation</i>				
<i>Land improvements</i>	(1,044,711)	(72,843)	-	(1,117,554)
<i>Buildings</i>	(13,084,807)	(726,427)	-	(13,811,234)
<i>Furniture and equipment</i>	(1,497,440)	(264,440)	7,105	(1,754,775)
<i>Vehicles</i>	<u>(1,340,272)</u>	<u>(97,839)</u>	<u>-</u>	<u>(1,438,111)</u>
<i>Total accumulated depreciation</i>	<u>(16,967,230)</u>	<u>(1,161,549)</u>	<u>7,105</u>	<u>(18,121,674)</u>
<i>Total capital assets being depreciated, net</i>	<u>18,543,512</u>	<u>(928,186)</u>	<u>-</u>	<u>17,615,326</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 19,753,241</u>	<u>\$ (928,186)</u>	<u>\$ -</u>	<u>\$ 18,825,055</u>

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 646,381
<i>Vocational</i>	11,473
<i>Support services:</i>	
<i>Pupils</i>	666
<i>Instructional staff</i>	4,359
<i>Administration</i>	126,536
<i>Business</i>	12,766
<i>Operation and maintenance of plant</i>	143,067
<i>Pupil transportation</i>	78,108
<i>Extracurricular activities</i>	121,396
<i>Food service operations</i>	16,797
<i>Total depreciation expense</i>	<u>\$ 1,161,549</u>

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2004 consisted of the following:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
<i>General fund</i>	\$ 380,936	\$ -
<i>Nonmajor governmental funds</i>	-	380,936
	<u>\$ 380,936</u>	<u>\$ 380,936</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, 2004, all interfund loans outstanding are anticipated to be repaid in fiscal year 2005.

NOTE 10 - INTERFUND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year 2004, the general fund transferred a total of \$51,183 to other nonmajor governmental funds for these purposes.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

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

B. Self Insurance

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

All funds of the School District participate in the program and make payments to the self insurance fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premium for stop-loss coverage and medical conversion and administrative fees and services). The claims liability of \$157,916 reported in the fund at year end was estimated by an independent third-party administrator and is based on the provisions of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability for the current and prior fiscal years are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Balance at</u> <u>beginning of year</u>	<u>Current</u> <u>year claims</u>	<u>Claim</u> <u>payments</u>	<u>Balance at</u> <u>end of year</u>
2003	\$ 346,983	2,361,056	2,497,907	\$ 210,132
2004	\$ 210,132	1,654,229	1,706,445	\$ 157,916

C. Workers' Compensation

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

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

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained from the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 9.09% for pension obligations. For the fiscal year 2003, 8.17% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$314,876, \$302,776, and \$206,420, respectively; 47.8% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. The unpaid pension contribution for fiscal year 2004, in the amount of \$164,176, is recorded as an intergovernmental payable.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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.

Copley-Fairlawn City School District
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For the fiscal year ended June 30, 2004

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

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 became disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the 2004 fiscal year, plan members were required to contribute 10% of their annual covered salary and the School District was required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 13% for pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,703,061, \$1,631,210, and \$1,385,491, respectively; 83.4% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. The unpaid pension contribution for fiscal year 2004, in the amount of \$282,027, is recorded as an intergovernmental payable. Contributions to the DC and Combined plans for fiscal year 2004 were \$4,676 made by the School District and \$18,195 made by the plan members.

NOTE 13 - POSTEMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Health care benefits are financed on a pay-as-you-go basis.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$131,005 during the 2004 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.1 billion at June 30, 2004. For the year ended June 30, 2004, the net health care costs paid by the STRS were \$268,739,000 and eligible benefit recipients totaled 111,853.

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced 50% for those who apply. For fiscal year 2004, employer contributions to fund health care benefits were 4.91% of covered payroll. For fiscal year 2003, 5.83% was used to fund health care benefits. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$222,334, which includes a surcharge of \$52,253 during the 2004 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the SERS's net assets available for payment of health care benefits was \$300.8 million, at cost. The number of participants receiving health care benefits was approximately 62,000.

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets acquired by these leases have been capitalized as equipment in the amount of \$689,718 equal to the present value of the future minimum lease payments in the government-wide financial statements. Principal payments for capital leases in the current fiscal year totaled \$130,338.

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.

<i>Fiscal Year</i>	<i>Lease Payments</i>
2005	\$ 152,679
2006	152,679
2007	152,679
2008	<u>38,894</u>
<i>Total minimum lease payments</i>	496,931
<i>Less: amount representing interest</i>	<u>(33,231)</u>
<i>Present value of minimum lease payments</i>	<u>\$ 463,700</u>

Copley-Fairlawn City School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2004

NOTE 15 - LONG-TERM OBLIGATIONS

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

	<i>Balance July 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30</i>	<i>Due within one year</i>
<u>Governmental Long-term Obligations</u>					
<i>Bonds</i>					
<i>2003 School Facilities Refunding</i>					
<i>Bonds, 2.00-4.00%</i>					
<i>Serial bonds</i>	\$ 5,660,000	\$ -	\$ (130,000)	\$ 5,530,000	\$ 660,000
<i>Capital appreciation bonds</i>	274,990	-	-	274,990	-
<i>Accretion on bonds</i>	-	227,332	-	227,332	-
<i>Unamortized premium</i>	666,552	-	(87,840)	578,712	-
<i>1993 School Facilities Bonds, 4.70% - 7.55%</i>	<u>530,000</u>	<u>-</u>	<u>(530,000)</u>	<u>-</u>	<u>-</u>
<i>Total bonds</i>	<u>7,131,542</u>	<u>227,332</u>	<u>(747,840)</u>	<u>6,611,034</u>	<u>660,000</u>
<i>Notes</i>					
<i>1996 Energy Conservation</i>					
<i>Notes, 4.75%</i>	915,000	-	(290,000)	625,000	305,000
<i>2001 Tax Anticipation</i>					
<i>Notes, 4.15%</i>	1,945,000	-	(620,000)	1,325,000	650,000
<i>2003 Energy Conservation Notes</i>					
<i>Notes, 3.79%</i>	<u>-</u>	<u>1,233,414</u>	<u>(62,399)</u>	<u>1,171,015</u>	<u>64,786</u>
<i>Total notes</i>	<u>2,860,000</u>	<u>1,233,414</u>	<u>(972,399)</u>	<u>3,121,015</u>	<u>1,019,786</u>
<i>Other Long-term Obligations</i>					
<i>Long-term compensated absences</i>	1,474,317	367,679	(283,285)	1,558,711	177,980
<i>Capital lease payable</i>	<u>594,038</u>	<u>-</u>	<u>(130,338)</u>	<u>463,700</u>	<u>135,871</u>
<i>Total other long-term obligations</i>	<u>2,068,355</u>	<u>367,679</u>	<u>(413,623)</u>	<u>2,022,411</u>	<u>313,851</u>
<i>Total governmental long-term obligations</i>	<u>\$ 12,059,897</u>	<u>\$ 1,828,425</u>	<u>\$ (2,133,862)</u>	<u>\$ 11,754,460</u>	<u>\$ 1,993,637</u>

In 1993, the School District issued School Facilities Bonds in the amount of \$9,950,000, at an interest rate of 4.70% - 7.55%, to finance the improvement and furnishing of school facilities and their sites. The School Facilities Bonds were repaid with voted property tax receipts of the Bond Retirement debt service fund, and matured in December 2003. In 1996, the School District issued Energy Conservation Notes in the amount of \$2,600,000 at an interest rate of 4.75%. The Notes were used to pay the costs of installations, modifications and remodeling of school buildings to conserve energy. These notes will also be paid with voted property tax receipts of the Bond Retirement debt service fund and are scheduled to mature in December 2005.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

In 2001, the School District issued \$2,545,000 in Tax Anticipation Notes at an interest rate of 4.15% to pay the costs of remodeling various School District buildings. These notes are to be repaid from the Permanent Improvement capital projects fund and are scheduled to mature in December 2005.

On October 1, 2002, the School District issued \$5,934,990 in General Obligation Bonds with an average interest rate of 3% to advance refund \$5,935,000 of outstanding School Facilities Bonds with an average interest rate of 6.18%. The bond proceeds consisted of bond principal and \$681,479 of premium. The net proceeds of \$5.9 million (after payment of \$115,240 in underwriting fees, insurance, and other issuance costs) was deposited into an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of School Facilities Bonds refunded. These bonds include serial and capital appreciation bonds. Current year additions amounted to \$227,332 which represents the accretion of discounted interest. The final amount of the 2003 capital appreciation bonds will be \$565,000. As a result of this issue, a portion of the School Facilities Bonds are considered to be defeased and the liability has been removed.

The School District advance refunded the School Facilities Bonds to reduce its total debt service payments over the following 13 years by \$15,245 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$579,073.

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

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2004 are as follows:

<i>Fiscal Year Ending</i>	<i>Bonds</i>		<i>Notes</i>		<i>Total</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2005	660,000	168,965	1,019,786	107,717	1,679,786	276,682
2006	600,000	156,065	1,062,265	62,901	1,662,265	218,966
2007	160,878	553,887	69,839	38,721	230,717	592,608
2008	114,112	580,653	72,511	36,049	186,623	616,702
2009	525,000	141,890	75,285	33,275	600,285	175,165
2010-2014	2,850,000	436,530	421,897	120,902	3,271,897	557,432
2015-2018	895,000	29,900	399,432	34,807	1,294,432	64,707
<i>Total</i>	<u>\$ 5,804,990</u>	<u>\$ 2,067,890</u>	<u>\$ 3,121,015</u>	<u>\$ 434,372</u>	<u>\$ 8,926,005</u>	<u>\$ 2,502,262</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEONET is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All school districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating school districts governs NEONET. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEONET are made from the general fund. During fiscal year 2004, the School District contributed \$8,820 to NEONET.

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

NOTE 17 - CONTINGENCIES

A. Grants:

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

B. Litigation

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

C. School Funding:

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

Copley-Fairlawn City School District

Notes to the Basic Financial Statements

For the fiscal year ended June 30, 2004

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio general Assembly to enact a school-funding scheme that is thorough and efficient...". As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 18 - STATUTORY RESERVES

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

	<u>Textbook</u> <u>Reserve</u>	<u>Capital</u> <u>Maintenance</u> <u>Reserve</u>
<i>Set-aside cash balance</i>		
<i>as of June 30, 2003</i>	\$ (555,527)	\$ -
<i>Current year set-aside requirement</i>	468,754	468,754
<i>Qualifying disbursements</i>	<u>(719,739)</u>	<u>(779,300)</u>
<i>Total</i>	<u>\$ (806,512)</u>	<u>\$ (310,546)</u>
<i>Balance carried forward to FY2005</i>	<u>\$ (806,512)</u>	

The School District also had unspent monies set-aside for the purchase of school buses in the amount of \$60,340.

NOTE 19- FUND DEFICITS

As of June 30, 2004, three 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>
<i>Special revenue funds:</i>	
<i>Post secondary voc ed</i>	\$ 1,000
<i>IDEA, Part B</i>	20,298
<i>Capital projects fund:</i>	
<i>Permanent improvement</i>	238,331

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Copley-Fairlawn City School District (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 23, 2005.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated May 23, 2005.

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

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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

May 23, 2005

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

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

Compliance

We have audited the compliance of the Copley-Fairlawn City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Copley-Fairlawn City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

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

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

May 23, 2005

Copley-Fairlawn City School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2004

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	049981-LLP4-2003	\$27,294	\$27,294
National School Lunch Program	10.555	049981-LLP4-2004	75,452	75,452
Total National School Lunch Program			102,746	102,746
Food Distribution	10.550	----	52,692	52,692
Total U.S. Department of Agriculture - Child Nutrition Cluster			155,438	155,438
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	049981-C1S1-2003	27,305	30,205
Title I Grants to Local Educational Agencies	84.010	049981-C1S1-2004	146,538	140,884
Total Title I Grants to Local Educational Agencies			173,843	171,089
Special Education Cluster:				
Special Education-Grants to States (Title IDEA-B Flow-Thru)	84.027	049981-6BSF-2003-P	32,954	66,005
Special Education-Grants to States (Title IDEA-B Flow-Thru)	84.027	049981-6BSF-2004	350,465	340,937
Total Special Education - Grants to States			383,419	406,942
Special Education Preschool Grants	84.173	049981-PGS1-2004	11,185	11,185
Total Special Education Cluster			394,604	418,127
Safe and Drug-Free Schools and Communities - State Grants	84.186	049981-DRS1-2004	9,877	9,516
Safe and Drug-Free Schools and Communities - State Grants	84.186	049981-DRS1-2003	0	33
Total Safe and Drug-Free Schools and Communities			9,877	9,549
Innovative Program State Grants	84.298	049981-C2S1-2003	57	1,391
Innovative Program State Grants	84.298	049981-C2S1-2004	22,191	19,038
Total State Grants for Innovative Programs			22,248	20,429
Education Technology State Grants	84.319	049981-TJS1-2003	649	1,000
Education Technology State Grants	84.319	049981-TJS1-2004	4,894	4,894
Total Education Technology State Grants			5,543	5,894
Assistive Technology Infusion Project	84.352A	049981-ATS3-2002	0	435
English Language Acquisition Grant	84.365	049981-T3S1-2004	33,965	31,858
Improving Teacher Quality State Grants	84.367	049981-TRS1-2003	8,190	10,491
Improving Teacher Quality State Grants	84.367	049981-TRS1-2004	74,897	67,286
Total Improving Teacher Quality State Grants			83,087	77,777
Total U.S. Department of Education			723,167	735,158
Total Federal Assistance			\$878,605	\$890,596

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

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and disbursed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

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

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(CONTINUED)**

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**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
SEPTEMBER 15, 2005**