



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Copley-Fairlawn City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 1999, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note I to the general purpose financial statements, the District changed its method of accounting and reporting for its deferred compensation plan, for the year ended June 30, 1999, as required by Governmental Accounting Standards Board Statement No. 32.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 1999, 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.

The accompanying Schedule of Federal Awards Receipts and Expenditures 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

JIM PETRO
Auditor of State

December 23, 1999

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Copley-Fairlawn City School District
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$5,092,349	\$422,087	\$255,453	\$9,206
Receivables				
Taxes	16,370,098		1,208,730	464,760
Accounts Intergovernmental	4,925			
Intergovernmental	2,651			
Materials and Supplies				
Inventory	8,662			
Prepaid Items	6,799			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	780,748			
Fixed Assets (Net where applicable of Accumulated Depreciation)				
Other Debits:				
Amount Available for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	22,266,232	422,087	1,464,183	473,966
LIABILITIES, FUND EQUITY AND OTHER CREDITS:				
Accounts Payable	49,866	48,233		
Accrued Wages and Benefits	1,679,135	54,825		
Compensated Absences	35,295			
Accrued Sick Leave Bonus	34,692	500		
Intergovernmental Payable	297,750	14,298		
Due to Others				
Deferred Revenue	15,734,722		1,174,975	446,511
Claims Payable				
Capital Lease Payable				
Notes Payable				
Bonds Payable				
Total Liabilities	17,831,460	117,856	1,174,975	446,511
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings - Unreserved (Deficit)				
Fund Balances				
Reserved for Property Taxes	635,376		33,755	18,249
Reserved for Encumbrances	184,423	82,092		6,419
Reserved for Inventory	8,662			
Reserved for Budget Stabilization	780,748			
Reserved for Prepaid Items	6,799			
Unreserved - Undesignated	2,818,764	222,139	255,453	2,787
Total Fund Equity and Other Credits	4,434,772	304,231	289,208	27,455
Total Liabilities, Fund Equity and Other Credits	\$22,266,232	\$422,087	\$1,464,183	\$473,966

The accompanying notes are an integral part of these statements.

Enterprise	Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	Internal Service		Expendable Trust and Agency	General Fixed Assets	General Long-Term Obligations	
	\$9,149	\$838,818	\$50,920			\$6,677,982
						18,043,588
						4,925
						2,651
	22,924					31,586
						6,799
						780,748
	161,798			48,894,797		49,056,595
					289,208	289,208
					12,241,532	12,241,532
	193,871	838,818	50,920	48,894,797	12,530,740	87,135,614
	180					98,279
	18,885					1,752,845
	24,703				1,778,161	1,838,159
	1,300					36,492
	13,976				180,754	506,778
			30,461			30,461
						17,356,208
		190,594				190,594
					166,825	166,825
					1,945,000	1,945,000
					8,460,000	8,460,000
	59,044	190,594	30,461		12,530,740	32,381,641
				48,894,797		48,894,797
	376,551					376,551
	(241,724)	648,224				406,500
						687,380
			2,700			275,634
						8,662
						780,748
						6,799
			17,759			3,316,902
	134,827	648,224	20,459	48,894,797		54,753,973
	\$193,871	\$838,818	\$50,920	\$48,894,797	\$12,530,740	\$87,135,614

Copley-Fairlawn City School District
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
All Governmental Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES:				
Taxes	\$15,951,450		\$1,115,295	\$453,975
Tuition and Fees	116,753			
Intergovernmental	3,414,238	852,162	82,894	123,448
Interest	407,800	6,375		
Extracurricular Activities		131,000		
Other	88,242	304,193		
Donations		129,052		
Classroom Materials and Fees	9,411			
Total Revenues	19,987,894	1,422,782	1,198,189	577,423
EXPENDITURES:				
Current				
Instructions				
Regular	9,178,622	88,772		70,957
Special	1,057,771	188,775		
Vocational	617,480	24,137		6,198
Support Services				
Pupil	1,072,803	44,124		
Instructional Staff	921,815	50,221		
Board of Education	114,749			
Administration	1,401,313	9,940		
Fiscal	503,914		11,685	6,860
Business	213,602			4,518
Operation and Maintenance	1,895,763			
Pupil Transportation	980,495			
Central	49,388	29,540		
Community Services	55,987	446,521		
Extracurricular Activities	422,934	445,682		
Debt Service				
Principal and Interest Retirement			1,238,365	
Capital Outlay	180,000	39,084		433,113
Total Expenditures	18,666,636	1,366,796	1,250,050	521,646
Revenues Over (Under)				
Expenditures	1,321,258	55,986	(51,861)	55,777
OTHER FINANCING SOURCES (USES)				
Sale of Assets	938			
Proceeds from Capital Leases	180,000			
Operating Transfers - In		65,039		
Operating Transfers - Out	(100,039)			
Refund of Prior Year's Expenditure	1,554			
Refund of Prior Year's Receipt	(16,774)		(785)	(516)
Total Other Financing				
Source (Uses)	65,679	65,039	(785)	(516)
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,386,937	121,025	(52,646)	55,261
Fund Balances (Deficit) at Beginning of year	3,046,342	183,206	341,854	(27,806)
Increase in Reserve for Inventory	1,493			
Fund Balances at End of Year	\$4,434,772	\$304,231	\$289,208	\$27,455

The accompanying notes are an integral part of these statements.

Fiduciary Fund Type	Totals
Expendable Trust	Memorandum Only)
	\$17,520,720
	116,753
	4,472,742
	414,175
	131,000
35,742	428,177
	129,052
	9,411
35,742	23,222,030
7	9,338,358
	1,246,546
	647,815
	1,116,927
1,769	973,805
	114,749
	1,411,253
22,733	545,192
	218,120
	1,895,763
	980,495
	78,928
	502,508
5,075	873,691
	1,238,365
	652,197
29,584	21,834,712
6,158	1,387,318
	938
	180,000
	65,039
	(100,039)
	1,554
	(18,075)
	129,417
6,158	1,516,735
	3,557,897
14,301	1,493
\$20,459	\$5,076,125

Copley-Fairlawn City School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget (Non-GAAP Basis) and Actual -
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
REVENUES:			
Taxes	\$15,734,859	\$15,734,859	
Tuition and Fees	117,495	117,015	(480)
Intergovernmental	3,392,074	3,414,237	22,163
Interest	378,670	407,800	29,130
Extracurricular Activities			
Classroom Materials & Fees	8,300	8,400	100
Donations			
Other	72,330	86,838	14,508
Total Revenues	<u>19,703,728</u>	<u>19,769,149</u>	<u>65,421</u>
EXPENDITURES:			
Current			
Instruction			
Regular	9,644,008	9,016,027	627,981
Special	1,190,292	1,046,453	143,839
Vocational	727,846	598,281	129,565
Support Services			
Pupil	1,152,685	1,047,699	104,986
Instructional Staff	1,184,590	959,403	225,187
Board of Education	136,600	119,777	16,823
Administration	1,440,793	1,370,726	70,067
Fiscal	537,183	500,397	36,786
Business	296,843	209,737	87,106
Operation and Maintenance of Plant	2,166,230	1,923,350	242,880
Pupil Transportation	1,143,512	1,046,670	96,842
Central	57,000	48,988	8,012
Community Services	64,000	56,404	7,596
Extracurricular Activities	441,694	416,655	25,039
Building Acquisition and Construction			
Debt Service:			
Principal Retirement and Interest			
Total Expenditures	<u>20,183,276</u>	<u>18,360,567</u>	<u>1,822,709</u>
Revenues Over (Under) Expenditures	(479,548)	1,408,582	1,888,130
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Assets	938	938	
Advances - In	380,000	380,000	
Advances - Out			
Refund of Prior Year Expenditures	531	531	
Refund of Prior Year Receipt	(20,000)	(16,774)	3,226
Operating Transfer - In			
Operating Transfers - Out	(180,000)	(100,039)	79,961
Voluntary Contingency Reserve Balance	(1,000,000)		1,000,000
Total Other Financing Sources (Uses)	<u>(818,531)</u>	<u>264,656</u>	<u>1,083,187</u>
Total Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,298,079)	1,673,238	2,971,317
Fund Balances at Beginning of Year	3,764,513	3,764,513	
Prior Year Encumbrances	218,276	218,276	
Fund Balances at End of Year	<u>\$2,684,710</u>	<u>\$5,656,027</u>	<u>\$2,971,317</u>

The accompanying notes are an integral part of these statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$1,101,240	\$1,101,240	
852,162	852,162		82,894	82,894	
5,948	6,375	427			
130,911	131,000	89			
129,052	129,052				
301,005	304,193	3,188			
<u>1,419,078</u>	<u>1,422,782</u>	<u>3,704</u>	<u>1,184,134</u>	<u>1,184,134</u>	
184,361	147,095	37,266			
221,970	187,136	34,834			
26,347	23,401	2,946			
33,436	28,990	4,446			
64,880	50,785	14,095			
4,482	4,482		15,000	11,685	3,315
44,000	38,321	5,679			
455,487	395,645	59,842			
483,795	455,105	28,690			
134,100	49,512	84,588			
<u>1,652,858</u>	<u>1,380,472</u>	<u>272,386</u>	<u>1,250,000</u>	<u>1,238,365</u>	<u>11,635</u>
			<u>1,265,000</u>	<u>1,250,050</u>	<u>14,950</u>
(233,780)	42,310	276,090	(80,866)	(65,916)	14,950
65,039	65,039		(1,000)	(786)	214
<u>65,039</u>	<u>65,039</u>		<u>(1,000)</u>	<u>(786)</u>	<u>214</u>
(168,741)	107,349	276,090	(81,866)	(66,702)	15,164
216,917	216,917		322,155	322,155	
10,920	10,920				
<u>\$59,096</u>	<u>\$335,186</u>	<u>\$276,090</u>	<u>\$240,289</u>	<u>\$255,453</u>	<u>\$15,164</u>

Copley-Fairlawn City School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget (Non-GAAP Basis) and Actual -
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 1999
(continued)

	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$448,007	\$448,007	
Tuition and Fees			
Intergovernmental	123,448	123,448	
Interest			
Extracurricular Activities			
Classroom Materials & Fees			
Donations			
Other			
Total Revenues	<u>571,455</u>	<u>571,455</u>	<u> </u>
EXPENDITURES:			
Current			
Instruction			
Regular	70,957	70,957	
Special			
Vocational	6,198	6,198	
Support Services			
Pupil			
Instructional Staff			
Board of Education			
Administration			
Fiscal	7,500	6,860	640
Business	4,600	4,518	82
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Community Services			
Extracurricular Activities			
Building Acquisition and Construction	440,882	439,531	1,351
Debt Service			
Principal Retirement and Interest			
Total Expenditures	<u>530,137</u>	<u>528,064</u>	<u>2,073</u>
Revenues Over (Under) Expenditures	41,318	43,391	2,073
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Assets			
Advances - In			
Advances - Out	(380,000)	(380,000)	
Refund of Prior Year Expenditures			
Refund of Prior Year Receipt	(520)	(516)	4
Operating Transfer - In			
Operating Transfers - Out			
Voluntary Contingency Reserve Balance			
Total Other Financing Sources (Uses)	<u>(380,520)</u>	<u>(380,516)</u>	<u>4</u>
Total Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(339,202)	(337,125)	2,077
Fund Balances at Beginning of Year	17,651	17,651	
Prior Year Encumbrances	322,263	322,263	
Fund Balances at End of Year	<u>\$712</u>	<u>\$2,789</u>	<u>\$2,077</u>

The accompanying notes are an integral part of these statements.

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$17,284,106	\$17,284,106	
			117,495	117,015	(480)
			4,450,578	4,472,741	22,163
			384,618	414,175	29,557
			130,911	131,000	89
			8,300	8,400	100
			129,052	129,052	
<u>35,742</u>	<u>35,742</u>		<u>409,077</u>	<u>426,773</u>	<u>17,696</u>
35,742	35,742		22,914,137	22,983,262	69,125
7	7		9,899,333	9,234,086	665,247
			1,412,262	1,233,589	178,673
			760,391	627,880	132,511
1,000		1,000	1,187,121	1,076,689	110,432
1,768	1,768		1,251,238	1,011,956	239,282
			136,600	119,777	16,823
			1,445,275	1,375,208	70,067
27,262	22,733	4,529	586,945	541,675	45,270
235	235		301,678	214,490	87,188
479		479	2,166,709	1,923,350	243,359
			1,143,512	1,046,670	96,842
			101,000	87,309	13,691
			519,487	452,049	67,438
16,756	7,776	8,980	942,245	879,536	62,709
			574,982	489,043	85,939
			1,250,000	1,238,365	11,635
<u>47,507</u>	<u>32,519</u>	<u>14,988</u>	<u>23,678,778</u>	<u>21,551,672</u>	<u>2,127,106</u>
(11,765)	3,223	14,988	(764,641)	1,431,590	2,196,231
			938	938	
			380,000	380,000	
			(380,000)	(380,000)	
			531	531	
			(21,520)	(18,076)	3,444
			65,039	65,039	
			(180,000)	(100,039)	79,961
			(1,000,000)		1,000,000
			<u>(1,135,012)</u>	<u>(51,607)</u>	<u>1,083,405</u>
(11,765)	3,223	14,988	(1,899,653)	1,379,983	3,279,636
14,299	14,299		4,335,535	4,335,535	
235	235		551,694	551,694	
<u>\$2,769</u>	<u>\$17,757</u>	<u>\$14,988</u>	<u>\$2,987,576</u>	<u>\$6,267,212</u>	<u>\$3,279,636</u>

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Copley-Fairlawn City School District
Combined Statement of Revenues, Expenses, and Changes
in Retained Earnings - All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
OPERATING REVENUES:			
Sales	\$494,189		\$494,189
Charges for Services		1,458,967	1,458,967
Other	6,264	47,709	53,973
Total Operating Revenues	500,453	1,506,676	2,007,129
OPERATING EXPENSES:			
Salaries and Wages	231,207		231,207
Fringes Benefits	80,260		80,260
Supplies	15,844	9,194	25,038
Contract Services	8,771		8,771
Cost of Sales	317,856		317,856
Depreciation	18,329		18,329
Claims		1,605,996	1,605,996
Other		37,929	37,929
Total Operating Expenses	672,267	1,653,119	2,325,386
Operating Loss	(171,814)	(146,443)	(318,257)
NON-OPERATING REVENUES:			
Donated Commodities	22,712		22,712
Operating Grants	72,405		72,405
Interest		45,335	45,335
Other Non-Operating Revenues	12,275		12,275
Total Non-Operating Revenues	107,392	45,335	152,727
Net Loss Before Operating Transfers	(64,422)	(101,108)	(165,530)
Operating Transfers - In	35,000		35,000
Net Loss	(29,422)	(101,108)	(130,530)
Retained Earnings (Deficit) at Beginning of Year	(212,302)	749,332	537,030
Retained Earnings (Deficit) at End of Year	(\$241,724)	\$648,224	\$406,500

The accompanying notes are an integral part of these statements.

Copley-Fairlawn City School District
 Combined Statement of Revenues, Expenses and Changes
 in Fund Balances - Budget (Non-GAAP Basis) and Actual -
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Charges for Services	\$491,845	\$494,189	\$2,344
Operating Grants	72,405	72,408	3
Other	18,132	18,754	622
Interest			
Total Revenues	<u>582,382</u>	<u>585,351</u>	<u>2,969</u>
EXPENDITURES:			
Salaries and Wages	225,644	225,388	256
Fringe Benefits	80,751	80,260	491
Contract Services	9,100	8,771	329
Supplies	308,885	307,377	1,508
Other	220	217	3
Total Expenses	<u>624,600</u>	<u>622,013</u>	<u>2,587</u>
Revenues Over (Under) Expenses	<u>(42,218)</u>	<u>(36,662)</u>	<u>5,556</u>
OTHER FINANCING SOURCES:			
Operating transfers - In	35,000	35,000	
Revenues and other Financing Sources Over (Under) Expenses and Other Financing Uses	<u>(7,218)</u>	<u>(1,662)</u>	<u>5,556</u>
Fund Balances at Beginning of Year	<u>10,810</u>	<u>10,810</u>	
Fund Balances at End of Year	<u><u>\$3,592</u></u>	<u><u>\$9,148</u></u>	<u><u>\$5,556</u></u>

The accompanying notes are an integral part of these statements.

Internal Service Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			\$491,845	\$494,189	\$2,344
			72,405	72,408	3
1,506,676	1,506,676		1,524,808	1,525,430	622
41,855	45,335	3,480	41,855	45,335	3,480
<u>1,548,531</u>	<u>1,552,011</u>	<u>3,480</u>	<u>2,130,913</u>	<u>2,137,362</u>	<u>6,449</u>
			225,644	225,388	256
			80,751	80,260	491
251,600	227,922	23,678	260,700	236,693	24,007
11,955	9,194	2,761	320,840	316,571	4,269
<u>1,588,445</u>	<u>1,367,596</u>	<u>220,849</u>	<u>1,588,665</u>	<u>1,367,813</u>	<u>220,852</u>
<u>1,852,000</u>	<u>1,604,712</u>	<u>247,288</u>	<u>2,476,600</u>	<u>2,226,725</u>	<u>249,875</u>
<u>(303,469)</u>	<u>(52,701)</u>	<u>250,768</u>	<u>(345,687)</u>	<u>(89,363)</u>	<u>256,324</u>
			35,000	35,000	
<u>(303,469)</u>	<u>(52,701)</u>	<u>250,768</u>	<u>(310,687)</u>	<u>(54,363)</u>	<u>256,324</u>
<u>891,519</u>	<u>891,519</u>		<u>902,329</u>	<u>902,329</u>	
<u>\$588,050</u>	<u>\$838,818</u>	<u>\$250,768</u>	<u>\$591,642</u>	<u>\$847,966</u>	<u>\$256,324</u>

Copley-Fairlawn City School District
Combined Statement of Cash Flows - All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

DECREASE IN CASH AND CASH EQUIVALENTS

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating loss	(\$171,814)	(\$146,443)	(\$318,257)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities			
Depreciation	18,329		18,329
Donated commodities in cost of sales	21,231		21,231
Change in assets and liabilities that increase (decrease) cash flow from operations			
Accounts payable	130		130
Accrued wages and benefits	4,963		4,963
Compensated absences	6,818		6,818
Accrued bonus	(2,200)		(2,200)
Intergovernmental payable	1,200		1,200
Claims payable		48,408	48,408
Net cash used in operating activities	(121,343)	(98,035)	(219,378)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating grants	72,405		72,405
Other non-operating revenue	12,275	45,335	57,610
Transfers - In	35,000		35,000
Net cash provided by non-capital financing activities	119,680	45,335	165,015
Net decrease in cash and cash equivalents	(1,663)	(52,700)	(54,363)
Cash and cash equivalents - beginning of year	10,812	891,518	902,330
Cash and cash equivalents - end of year	\$9,149	\$838,818	\$847,967
NONCASH CAPITAL, INVESTING AND RELATED FINANCING ACTIVITIES:			
Donated commodities received	\$22,712		\$22,712

The accompanying notes are an integral part of these statements.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

1. DESCRIPTION OF THE ENTITY

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 City district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education and is responsible for the provision of public education to residents of the School District.

Average daily membership (ADM) as of October 1, 1998 was 2,826. The School District employed 195 certified employees and 121 non-certified employees.

The School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," under which the financial statements include all the organizations, activities, functions and component units for which the School District (Primary Government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the School District's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the School District.

On this basis, there were no organizations subject to the School District's financial accountability which required incorporation into the financial statements.

2. BASIS OF PRESENTATION - FUND ACCOUNTING

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - This 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.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - This fund is used to account for the financing of services provided by one department or agency to another department or agency of the School District on a cost-reimbursement basis.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and 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. The available period for the School District is sixty days after year end. In applying the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise in the governmental funds when a potential revenue does not meet with the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, that are intended to finance fiscal year 2000 operations have been recorded as deferred revenue as more fully described in Note C.

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 fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities nonoperating revenue.

4. 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. 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. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modification at this level may only be made by resolution of the Board of Education.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

Appropriations:

By October 1, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation resolution, the Board may pass a temporary resolution to meet the ordinary expenses of the School District. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental fund appropriations were legally enacted, however, the amount of the increases were not significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balances for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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 need not be reappropriated.

Budgetary Basis of Accounting:

While the School District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget Basis and Actual - All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget Basis and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP basis are:

- Revenues are reported when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure for proprietary fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. BUDGETARY DATA - Continued

Budgetary Basis of Accounting: - Continued

**Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Similar Trust Fund**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$1,386,937	\$ 121,025	(\$52,646)	\$55,261	\$6,158
Net Adjustment for Revenue Accruals	(218,745)	0	(14,056)	(5,968)	(0)
Net Adjustment for Expenditure Accruals	306,069	(13,676)	0	(6,418)	2,935
Other Uses\Sources	<u>198,977</u>	<u>0</u>	<u>0</u>	<u>(380,000)</u>	<u>0</u>
Budget Basis	<u>\$1,673,238</u>	<u>\$107,349</u>	<u>(\$66,702)</u>	<u>(\$337,125)</u>	<u>\$3,223</u>

**Net Loss/Revenue Over (Under)
Expenses and Operating Transfers
Proprietary Fund Types**

	<u>Enterprise</u>	<u>Internal Service</u>
GAAP Basis	\$ (29,422)	\$ (101,108)
Net Adjustment for Revenue Accruals	218	0
Commodities Received	(22,712)	0
Net Adjustment for Expense Accruals	10,694	48,407
Commodities Used	21,231	0
Depreciation	<u>18,329</u>	<u>0</u>
Budget Basis	<u>\$ (1,662)</u>	<u>\$ (52,701)</u>

5. POOLED CASH AND INVESTMENTS

The School District maintains a cash and investment pool used by all funds. The District only invested in Star Ohio and over-night repurchase agreements during the year.

The amounts of this pooled investment are reflected on the Combined Balance Sheet as Equity in Pooled Cash and Cash Equivalents.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash investment pool and investments with maturities of three months or less at the time they were purchased by the School District are considered to be cash equivalents.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. POOLED CASH AND INVESTMENTS - Continued

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

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the School District. 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.

Category 2 consists of "inactive" monies, those monies not required for use within the current two year period of designation of depositories. Inactive deposits must be deposited or invested as 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.

Category 3 consists of "interim" monies, those 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 passbook accounts.

Interim monies can be deposited or invested in the following securities:

- United States Treasury Notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasurer's investment pool (STAR Ohio);

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. POOLED CASH AND INVESTMENTS – Continued

- Certain bankers' acceptances and commercial paper notes for a period not to exceed twenty-five percent of the interim monies available for investment at any one time, and Under limited circumstances, corporate debt interest rated in either of the two highest rating classification by at least nationally recognized rating agencies.
- Under limited circumstances, corporate debt interest rated in either of the two highest rating classification by at least nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 monies 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.

Deposits:

At fiscal year end, the carrying amount of the School District's cash deposits was \$(458,658) and the bank balance was \$68,049. The entire amount of the bank balance was covered by federal depository insurance (FDIC). Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the FDIC.

Investments:

The School District's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which 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.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. POOLED CASH AND INVESTMENTS - Continued

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1999. 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, 1999. This is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$ 380,000	\$ 380,000	\$ 380,048
STAR Ohio	0	7,537,388	7,537,388
Totals	\$ 380,000	\$ 7,917,388	\$ 7,917,436

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash investments on the combined balance sheet and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 7,458,730	\$ 0
Investments:		
Repurchase Agreement	(380,000)	380,000
STAR Ohio	(7,537,388)	7,537,388
GASB Statement No. 3	\$ (458,658)	\$ 7,917,388

6. INVENTORY

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventory in the enterprise funds consists of purchased food, donated commodities and school supplies held for resale and are expensed when used.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. **FIXED ASSETS AND DEPRECIATION**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The School District has established a capitalization threshold for fixed assets at \$1,000. Books, records, movies, and other learning aids kept at the School District Library are not included for reporting purposes. The School District does not possess any infrastructure.

The cost 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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The School District's policy is not to capitalize interest costs incurred as part of construction.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line basis over an estimated useful life of five to ten years.

8. **INTERGOVERNMENTAL REVENUES**

For governmental funds, intergovernmental revenue, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Title I Grants to Local Educational Agencies

Title VI

Drug Free Schools

Special Education Grants to States

Technology Literacy Challenge Fund Grants

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. INTERGOVERNMENTAL REVENUES - Continued

Reimbursable Grants

Enterprise Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 18% of the School District's operating revenue during the 1999 fiscal year.

9. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items.

10. CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds, other governments and private sources provided to enterprise funds and is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital during the year.

11. LONG-TERM OBLIGATIONS

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations are reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Under Ohio Law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the debt service fund and the general long-term obligations account group, with principal and interest payments on matured general long-term debt reported in the debt service fund. To comply with GAAP reporting requirements, the School District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both the principal and interest have also been allocated accordingly.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All other interfund transfers are reported as operating transfers.

13. FUND EQUITY

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for reappropriation in future periods. Fund equity reserves are established for encumbrances, inventory, prepaid items, property taxes, and budget stabilization.

14. PROPRIETARY FUND ACCOUNTING

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting and Other Governmental Entities that use Proprietary Fund Accounting", the School District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities.

15. TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

16. RESTRICTED ASSETS

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction.

17. ESTIMATES

The preparation of the financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

18. SCHOOL FOUNDATION MONEY

On March 27, 1997, the Ohio Supreme Court rendered a decision declaring a certain portions of the Ohio school founding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provide significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,691,948 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statement, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NOTE B - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - FUND BALANCES AND
RETAINED EARNINGS DEFICITS**

Fund balances/retained earnings at June 30, 1999 included the following individual fund/retained earnings deficits:

Deficit Fund Balance	
Special Revenue Funds	
Auxiliary Services	\$ 4,575
Management Information Systems	264
Title VI-B	37,377
Title I	9,700
Preschool Grant	218
Enterprise Fund	
Food Service	245,678

The special revenue and enterprise deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the special revenue funds and provides operating transfers when cash is required, not when accruals occur.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE C - PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 1997.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for tax (calendar) year 1998 was \$51.57 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$29.66 per \$1,000 of assessed valuation for real property classified as residential or agricultural and \$33.61 per \$1,000 of assessed valuation for all other real property.

Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax (calendar) year 1998 was \$51.57 per \$1,000 of assessed valuation.

Real Property - 1998 Valuation	
Residential/Agricultural	\$296,196,820
Commercial/Industrial	186,397,900
Public Utilities	7,130
Minerals	107,290
Tangible Personal Property - 1999 Valuation	
General	62,941,335
Public Utilities	<u>27,932,890</u>
Total Valuation	<u><u>\$573,583,365</u></u>

The Summit County Treasurer collects property tax on behalf of all taxing districts within the County. The Summit County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represent delinquent taxes outstanding on real property, personal property and public utility taxes which became measurable as of June 30, 1999. 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 of \$687,380 is recognized as revenue.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE D - INSURANCE

1. PROPERTY INSURANCE

The School District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured.

2. MEDICAL SELF-INSURANCE

The School District has established a medical self-insurance fund which is accounted for in the internal service fund. The purpose of this fund is to pay medical and dental claims of the School District's employees and their covered dependents and minimize the total cost of medical insurance to the School District. For the plan year beginning October 1, 1998 and ending September 30, 1999, medical claims exceeding \$50,000 per covered individual, per year, or \$1,214,742 in the aggregate per year are covered through private insurance carriers. The Self-Insurance Fund is funded by expenditures for health insurance out of the General Fund and Enterprise Fund.

The claims liability of \$190,594 reported in the fund at June 30, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost, including estimates of cost relating to incurred but not reported claims, be reported. Changes in the fund's claims liability amount in fiscal year 1998 and 1999 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1998	\$ 228,057	\$1,131,986	\$1,217,857	\$ 142,186
1999	142,186	1,654,404	1,605,996	190,594

3. OSBA GROUP RATING PROGRAM

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE D - INSURANCE - Continued

3. OSBA GROUP RATING PROGRAM - Continued

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE E - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$ 340,653
Less Accumulated Depreciation	<u>(178,855)</u>
Net Fixed Assets	<u><u>\$ 161,798</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land	\$ 196,211	\$ 0	\$ 0	\$ 196,211
Buildings and Improvements	43,483,005	347,723	0	43,830,728
Furniture and Equipment	2,979,468	274,809	1,601	3,252,676
Vehicles	<u>1,405,012</u>	<u>210,170</u>	<u>0</u>	<u>1,615,182</u>
Total	<u><u>\$48,063,696</u></u>	<u><u>\$ 832,702</u></u>	<u><u>\$ 1,601</u></u>	<u><u>\$ 48,894,797</u></u>

NOTE F - LONG-TERM OBLIGATIONS

Long-term obligations of the School District as of June 30, 1999 were as follows:

	Outstanding July 1, 1998	Additions	(Reductions)	Outstanding June 30, 1999
School Facilities Bonds - Middle School Construction, 1993, 4.70% - 6.25%	\$ 8,860,000	\$ 0	(400,000)	\$8,460,000
Energy Conservation Note, 4.75%	2,175,000	0	(230,000)	1,945,000
Compensated Absences	1,600,999	211,662	(34,500)	1,778,161
Intergovernmental Payable	125,220	180,754	(125,220)	180,754
Capital Lease Payable	<u>0</u>	<u>180,000</u>	<u>(13,175)</u>	<u>166,825</u>
Totals	<u><u>\$12,761,219</u></u>	<u><u>\$572,416</u></u>	<u><u>(\$802,895)</u></u>	<u><u>\$12,530,740</u></u>

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE F - LONG-TERM OBLIGATIONS - Continued

Principal and interest requirements to retire school facilities bonds and notes at June 30, 1999 are as follows:

2000	\$ 1,252,254
2001	1,268,193
2002	1,300,439
2003	1,294,259
2004	1,241,823
Thereafter	<u>8,850,042</u>
Total	<u>\$ 15,207,010</u>

NOTE G - DEFINED BENEFIT PENSION PLANS

1. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The School District contributes to the School Employee Retirement Systems of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provide basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent; for the fiscal year 1998, 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contributions rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997, were \$372,156, \$375,660, and \$345,756, respectively; 50 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$186,078, representing the unpaid contribution for fiscal year 1999, is recorded as a liability.

2. STATE TEACHERS' RETIREMENT SYSTEM (STRS)

The School District contributes to the State Teachers' Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers' Retirement Board. STRS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE G - DEFINED BENEFIT PENSION PLANS - Continued

2. STATE TEACHERS' RETIREMENT SYSTEM (STRS) - Continued

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997, were \$1,385,458, \$1,233,504, and \$1,011,888, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$235,528, representing the unpaid contribution for fiscal year 1999, is recorded as a liability.

NOTE H - POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State Statute. Both systems are on a pay-as-you-go basis.

For STRS, all benefits recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219.224 million.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE I – CHANGE IN ACCOUNTING PRINCIPLE

The District implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". Statement No. 32 rescinds prior guidance for deferred compensation plans adopted under Internal Revenue Code 457 and establishes new accounting and financial reporting standards for these plans. Under the new provisions, plan assets were placed in a trust and held for the exclusive benefit of the plan participants and their beneficiaries. Accordingly, as required by GASB No. 32, assets and liabilities have been removed from the District's agency fund.

NOTE J - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds - Food Service, Tomahawk Room, and Adult Education which are operated on a sales basis. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the School District for the fiscal year ended June 30, 1999:

	Food Service	Tomahawk Room	Adult Education	Total
Operating Revenues	\$ 494,191	\$ 0	\$ 6,262	\$ 500,453
Operating Expenses Before Depreciation	634,879	10,534	8,525	653,938
Depreciation	18,329	0	0	18,329
Operating Loss	(159,017)	(10,534)	(2,263)	(171,814)
Operating Grants	72,405	0	0	72,405
Net Non-Operating Revenue/Expenses	95,117	12,275	0	107,392
Net Income/(Loss) before transfers	(63,900)	1,741	(2,263)	(64,422)
Net Working Capital	(30,925)	3,860	94	(26,971)
TOTAL ASSETS	189,902	3,860	109	193,871
TOTAL LIABILITIES	59,029	0	15	59,044
TOTAL EQUITY	130,873	3,860	94	134,827

NOTE K - LEASING ARRANGEMENTS

On February 2, 1999, the District entered into a capital lease-purchase agreement to acquire new copiers. Assets under capital lease totaled \$180,000 at June 30, 1999, and accumulated amortization of those assets totaled \$13,175.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE K - LEASING ARRANGEMENTS - Continued

The following is a schedule of future minimum lease payments required under the lease and the present value of the lease payments as of June 30, 2000:

Year Ending June 30,	Amount
2000	\$41,298
2001	41,298
2002	41,298
2003	41,298
2004	24,091
Total	189,283
Less Interest	(22,458)
Present Value of Minimum Lease Payments	\$166,825

NOTE L - JOINTLY GOVERNED ORGANIZATION

Northeast Ohio Network for Educational Technology (NEONET)

NEONET is a jointly governed organization created as a regional council of governments made up of public school districts and county boards of education from Summit and Portage Counties. The primary function of NEONET is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services.

Other areas of service provided by NEONET include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by NEONET.

NEONET is governed by a board of directors comprised of each Superintendent within the Organization. The Summit County Educational Service Center serves as the fiscal agent of the organization and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of NEONET is limited to its voting authority and any representation it may have on the board of directors. The continued existence of NEONET is not dependent on the District's continued participation and no equity interest exists.

NOTE M - OTHER REQUIRED FUND DISCLOSURES

A. Set-Aside Requirements

State of Ohio House Bill 412 requires the District to set aside a portion of the general operating resources for future use. For the fiscal year ended June 30, 1999, the following table disclosed the required set-asides.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE M - OTHER REQUIRED FUND DISCLOSURES - Continued

A. Set-Aside Requirements - Continued

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 100,473	\$ 100,473
Current Year Set-aside Requirement	344,122	344,122	680,275	1,368,519
Current Year Offsets	0	0	0	0
Qualifying Disbursements	<u>(922,282)</u>	<u>(714,136)</u>	<u>0</u>	(1,636,418)
Total	<u><u>\$(578,160)</u></u>	<u><u>\$(370,014)</u></u>	<u><u>\$ 780,748</u></u>	
Cash Balance Carried Forward to FY 2000	<u>0</u>	<u>0</u>	<u>780,748</u>	<u>780,748</u>
Total Restricted Assets				<u><u>\$ 780,748</u></u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements for future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE N - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and information Systems (EMIS)).

The District uses the State of Ohio Uniform School Accounting Systems software for its financial reporting and the State of Ohio Uniform Staff Payroll Systems software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of they Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be 2000 ready.

**COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 1999

NOTE O - PRIOR PERIOD ADJUSTMENTS

The following beginning fund balances were restated on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Similar Trust Fund to account for prior statement omissions and fund reclassification

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Expendable Trust</u>
Fund Balances at Beginning of year as previously reported	\$2,666,342	\$157,395	\$352,194	\$40,112
Effect of adjustments:				
Unreported advances to other funds	380,000			
Unreported advances from other funds			(380,000)	
Fund reclassification	_____	25,811	_____	(25,811)
Fund Balances at Beginning of year as restated	<u>\$3,046,342</u>	<u>\$183,206</u>	<u>(\$27,806)</u>	<u>\$14,301</u>

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
SUMMIT COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$22,712		\$23,934
National School Lunch Program	N/A	10.555	\$69,785		\$69,785	
Total United States Department of Agriculture - Child Nutrition Cluster			69,785	22,712	69,785	23,934
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	049981-6B-SF-98P	84.027			6,724	
	049981-6B-SF-99P	84.027	109,484		89,631	
Special Education - Preschool Grant	049981-PG-S1-98P	84.173			234	
	049981-PG-S1-99P	84.173	9,633		9,633	
Total Special Education Cluster			119,117		106,222	
Title I Grants to Local Educational Agencies	049981-C1-S1-98	84.010	3,094		15,181	
	049981-C1-S1-98C	84.010	8,391		8,391	
	049981-C1-S1-99	84.010	88,515		75,325	
Total Title I Grants to Local Educational Agencies			100,000		98,897	
Immigrant Education Program	049981-EI-S1-99	84.162	3,484		21	
Safe and Drug-Free Schools and Communities State Grants	049981-DR-S1-98	84.186	15,072		15,072	
Bilingual Education Support Services	N/A	84.194			898	
Goals 2000 State and Local Education Systemic Improvement Grant	049981-G2-S2-00P	84.276	10,000		3,401	
Innovative Educational Program Strategies	049981-C2-S1-98	84.298			1,017	
	049981-C2-S1-99	84.298	13,454		12,570	
Total Innovative Educational Program Strategies			13,454		13,587	
<i>Direct</i>						
E Rate Program	N/A	84.XXX	9,325		9,325	
<i>Passed Through Summit County Educational Service Center</i>						
Technology Innovation Challenge Grant	N/A	84.303			2,479	
	N/A	84.303	16,777		16,047	
Total Technology Innovation Challenge Grant			16,777		18,526	
Technology Literacy Challenge Fund Grants	049981-TF-31-99	84.318	150,000		87,495	
Total United States Department of Education			437,229		353,444	
Total			\$507,014	\$22,712	\$423,229	\$23,934

The accompanying notes to this schedule are an integral part of this schedule.
Copley-Fairlawn City School District

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

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 value of the commodities received and consumed. 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, 1999, the District had no significant food commodities in inventory.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the general purpose financial statements of Copley-Fairlawn City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 23, 1999, in which we noted the District changed its method of accounting and reporting for its deferred compensation plan. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 grants, 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 certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 23, 1999.

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 opinion on the financial statements and not to provide assurance 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 over financial reporting 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 misstatements 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 operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over the financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 23, 1999.

This report is intended 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.

JIM PETRO
Auditor of State

December 23, 1999



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

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

To the Board of Education:

Compliance

We have audited the compliance of Copley-Fairlawn City School District, Summit County, Ohio, (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, 1999. The District's major federal programs are 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 generally accepted auditing standards; 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

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 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 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.

JIM PETRO
Auditor of State

December 23, 1999

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

JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States - #84.027 #84.173 Title I Grants to Local Educational Agencies - #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**JUNE 30, 1999
(Continued)**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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COPLEY-FAIRLAWN CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2000**