



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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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 the Copley-Fairlawn City School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Copley-Fairlawn City School District, Summit County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6 to the general purpose financial statements, the District changed its method of accounting and reporting for compensated absences for the year ended June 30, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

November 15, 2002

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Copley-Fairlawn City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and other debits:</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 2,716,028	\$ 377,071	\$ 431,054	\$ 430,253
Receivables:				
Taxes	18,300,765	-	2,037,216	550,538
Accounts	809	122	-	-
Intergovernmental	90,637	39,869	-	-
Accrued interest	472	-	-	-
Interfund receivable	1,004,450	-	-	-
Prepaid items	37,948	-	-	-
Inventory held for resale	-	-	-	-
Materials and supplies inventory	8,353	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
<u>Other debits:</u>				
Amount available in debt service fund for retirement of general obligation bonds	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
Total assets and other debits	<u>\$ 22,159,462</u>	<u>\$ 417,062</u>	<u>\$ 2,468,270</u>	<u>\$ 980,791</u>
<u>Liabilities, fund equity and other credits:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 39,296	\$ 2,344	\$ -	\$ -
Accrued wages	1,736,819	61,462	-	-
Compensated absences payable	79,429	-	-	-
Interfund payable	-	4,450	-	1,000,000
Intergovernmental payable	367,044	9,163	-	10
Deferred revenue	17,805,421	38,959	2,012,105	519,575
Due to students	-	-	-	-
Accrued interest payable	-	-	-	53,858
Notes payable	-	-	-	2,545,000
Claims payable	-	-	-	-
Capital leases payable	-	-	-	-
Energy conservation loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Total liabilities	<u>20,028,009</u>	<u>116,378</u>	<u>2,012,105</u>	<u>4,118,443</u>
<u>Fund equity and other credits:</u>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	256,966	76,349	-	132,767
Reserved for inventory	8,353	-	-	-
Reserved for prepaid items	37,948	-	-	-
Reserved for debt service	-	-	431,054	-
Reserved for property taxes	495,344	-	25,111	30,963
Unreserved:				
Undesignated	1,332,842	224,335	-	(3,301,382)
Total fund equity and other credits	<u>2,131,453</u>	<u>300,684</u>	<u>456,165</u>	<u>(3,137,652)</u>
Total liabilities, fund equity and other credits	<u>\$ 22,159,462</u>	<u>\$ 417,062</u>	<u>\$ 2,468,270</u>	<u>\$ 980,791</u>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 33,465	\$ 181,927	\$ 61,763	\$ -	\$ -	\$ 4,231,561
-	-	-	-	-	20,888,519
3,619	-	3,887	-	-	8,437
12,545	-	-	-	-	143,051
-	-	-	-	-	472
-	-	-	-	-	1,004,450
-	-	-	-	-	37,948
12,147	-	-	-	-	12,147
4,044	-	-	-	-	12,397
129,485	-	-	55,318,193	-	55,447,678
-	-	-	-	456,165	456,165
-	-	-	-	9,315,881	9,315,881
<u>\$ 195,305</u>	<u>\$ 181,927</u>	<u>\$ 65,650</u>	<u>\$ 55,318,193</u>	<u>\$ 9,772,046</u>	<u>\$ 91,558,706</u>
\$ 84	\$ -	\$ 893	\$ -	\$ -	\$ 42,617
12,347	-	-	-	-	1,810,628
20,803	-	-	-	1,306,774	1,407,006
-	-	-	-	-	1,004,450
23,457	-	-	-	192,808	592,482
7,840	-	-	-	-	20,383,900
-	-	64,757	-	-	64,757
-	-	-	-	-	53,858
-	-	-	-	-	2,545,000
-	346,983	-	-	-	346,983
-	-	-	-	62,464	62,464
-	-	-	-	1,190,000	1,190,000
-	-	-	-	7,020,000	7,020,000
<u>64,531</u>	<u>346,983</u>	<u>65,650</u>	<u>-</u>	<u>9,772,046</u>	<u>36,524,145</u>
-	-	-	55,318,193	-	55,318,193
376,551	-	-	-	-	376,551
(245,777)	(165,056)	-	-	-	(410,833)
-	-	-	-	-	466,082
-	-	-	-	-	8,353
-	-	-	-	-	37,948
-	-	-	-	-	431,054
-	-	-	-	-	551,418
-	-	-	-	-	(1,744,205)
<u>130,774</u>	<u>(165,056)</u>	<u>-</u>	<u>55,318,193</u>	<u>-</u>	<u>55,034,561</u>
<u>\$ 195,305</u>	<u>\$ 181,927</u>	<u>\$ 65,650</u>	<u>\$ 55,318,193</u>	<u>\$ 9,772,046</u>	<u>\$ 91,558,706</u>

Copley-Fairlawn City School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>Revenues:</u>			
Taxes	\$ 17,681,891	\$ -	\$ 1,245,380
Intergovernmental	3,796,944	1,094,210	104,261
Interest	195,614	3,912	-
Tuition and fees	267,642	-	-
Extracurricular activities	-	213,724	-
Gifts and donations	-	67,832	-
Rent	37,407	-	-
Miscellaneous	255,686	209,474	-
Total revenues	<u>22,235,184</u>	<u>1,589,152</u>	<u>1,349,641</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	12,405,708	53,558	-
Special	1,352,689	249,514	-
Vocational	691,794	23,908	-
Adult/continuing	-	2,627	-
Support services:			
Pupils	1,207,468	49,021	-
Instructional staff	1,309,853	217,815	-
Board of education	157,138	-	-
Administration	1,601,908	2,512	-
Fiscal	607,121	5,107	15,767
Business	100,300	-	-
Operation and maintenance of plant	1,676,292	8,890	-
Pupil transportation	2,003,912	-	-
Central	179,508	28,207	-
Operation of non-instructional services	13,540	485,334	-
Extracurricular activities	454,711	410,908	-
Capital outlay	-	12,545	-
Debt service:			
Principal retirement	36,726	-	795,000
Interest and fiscal charges	4,572	-	505,439
Total expenditures	<u>23,803,240</u>	<u>1,549,946</u>	<u>1,316,206</u>
Excess of revenues over (under) expenditures	<u>(1,568,056)</u>	<u>39,206</u>	<u>33,435</u>
<u>Other financing sources (uses):</u>			
Proceeds from sale of fixed assets	500	-	-
Operating transfers in	-	47,930	-
Operating transfers out	(87,930)	-	-
Total other financing sources (uses)	<u>(87,430)</u>	<u>47,930</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,655,486)	87,136	33,435
Fund balances at beginning of year	3,784,088	213,548	422,730
Increase in reserve for inventory	2,851	-	-
Fund balances at end of year	<u>\$ 2,131,453</u>	<u>\$ 300,684</u>	<u>\$ 456,165</u>

See accompanying notes to the general purpose financial statements.

Capital Projects	Totals (Memorandum Only)
\$ 894,166	\$ 19,821,437
109,792	5,105,207
-	199,526
-	267,642
-	213,724
-	67,832
-	37,407
-	465,160
1,003,958	26,177,935

121,793	12,581,059
-	1,602,203
8,782	724,484
-	2,627
-	1,256,489
2,695	1,530,363
-	157,138
-	1,604,420
13,764	641,759
-	100,300
-	1,685,182
-	2,003,912
-	207,715
-	498,874
-	865,619
2,387,147	2,399,692
-	831,726
176,198	686,209
2,710,379	29,379,771
(1,706,421)	(3,201,836)

-	500
-	47,930
-	(87,930)
-	(39,500)

(1,706,421)	(3,241,336)
(1,431,231)	2,989,135
-	2,851
\$ (3,137,652)	\$ (249,350)

Copley-Fairlawn City School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$ 17,915,516	\$ 17,915,516	\$ -
Intergovernmental	3,703,117	3,796,944	93,827
Interest	195,142	195,142	-
Tuition and fees	226,892	226,892	-
Extracurricular activities	-	-	-
Gifts and donations	-	-	-
Rent	37,407	37,407	-
Miscellaneous	203,527	222,482	18,955
Total revenues	<u>22,281,601</u>	<u>22,394,383</u>	<u>112,782</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	12,900,903	12,541,214	359,689
Special	1,505,965	1,331,700	174,265
Vocational	734,174	688,717	45,457
Adult/continuing	-	-	-
Support services:			
Pupils	1,310,067	1,250,945	59,122
Instructional staff	1,393,203	1,316,723	76,480
Board of education	195,064	177,897	17,167
Administration	1,748,305	1,619,668	128,637
Fiscal	641,165	621,007	20,158
Business	122,300	109,107	13,193
Operation and maintenance of plant	2,564,599	2,538,946	25,653
Pupil transportation	1,381,754	1,309,379	72,375
Central	134,800	109,215	25,585
Operation of non-instructional services	90,600	66,702	23,898
Extracurricular activities	533,800	482,585	51,215
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>25,256,699</u>	<u>24,163,805</u>	<u>1,092,894</u>
Excess of revenues over (under) expenditures	<u>(2,975,098)</u>	<u>(1,769,422)</u>	<u>1,205,676</u>
<u>Other financing sources (uses):</u>			
Proceeds from sale of fixed assets	500	500	-
Advances in	203,000	203,000	-
Advances out	(3,450)	(3,450)	-
Operating transfers in	-	-	-
Operating transfers out	(96,550)	(87,930)	8,620
Total other financing sources (uses)	<u>103,500</u>	<u>112,120</u>	<u>8,620</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(2,871,598)	(1,657,302)	1,214,296
Fund balances at beginning of year	3,688,369	3,688,369	-
Prior year encumbrances appropriated	356,698	356,698	-
Fund balances at end of year	<u>\$ 1,173,469</u>	<u>\$ 2,387,765</u>	<u>\$ 1,214,296</u>

See accompanying notes to the general purpose financial statements.

Governmental Fund Types

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,379,048	\$ 1,379,048	\$ -
1,084,485	1,093,300	8,815	104,261	104,261	-
3,347	3,912	565	-	-	-
-	-	-	-	-	-
212,318	213,724	1,406	-	-	-
67,252	67,832	580	-	-	-
-	-	-	-	-	-
208,426	209,935	1,509	-	-	-
<u>1,575,828</u>	<u>1,588,703</u>	<u>12,875</u>	<u>1,483,309</u>	<u>1,483,309</u>	<u>-</u>
56,903	53,960	2,943	-	-	-
260,295	251,571	8,724	-	-	-
24,522	24,521	1	-	-	-
2,600	2,600	-	-	-	-
49,317	48,609	708	-	-	-
240,066	233,928	6,138	-	-	-
-	-	-	-	-	-
2,512	2,512	-	-	-	-
5,107	5,107	-	16,000	15,767	233
-	-	-	-	-	-
8,890	8,890	-	-	-	-
-	-	-	-	-	-
29,255	29,255	-	-	-	-
511,936	493,640	18,296	-	-	-
485,297	472,569	12,728	-	-	-
12,545	12,545	-	-	-	-
-	-	-	795,000	795,000	-
-	-	-	627,779	627,779	-
<u>1,689,245</u>	<u>1,639,707</u>	<u>49,538</u>	<u>1,438,779</u>	<u>1,438,546</u>	<u>233</u>
<u>(113,417)</u>	<u>(51,004)</u>	<u>62,413</u>	<u>44,530</u>	<u>44,763</u>	<u>233</u>
-	-	-	-	-	-
3,450	3,450	-	-	-	-
(3,000)	(3,000)	-	-	-	-
46,246	47,930	1,684	-	-	-
-	-	-	-	-	-
<u>46,696</u>	<u>48,380</u>	<u>1,684</u>	<u>-</u>	<u>-</u>	<u>-</u>
(66,721)	(2,624)	64,097	44,530	44,763	233
283,734	283,734	-	386,294	386,294	-
13,438	13,438	-	-	-	-
<u>\$ 230,451</u>	<u>\$ 294,548</u>	<u>\$ 64,097</u>	<u>\$ 430,824</u>	<u>\$ 431,057</u>	<u>\$ 233</u>

(Continued)

Copley-Fairlawn City School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002 (Continued)

	Governmental Fund Types		
	Capital Projects Funds		Variance
	Revised Budget	Actual	Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$ 759,777	\$ 759,777	\$ -
Intergovernmental	102,695	109,792	7,097
Interest	-	-	-
Tuition and fees	-	-	-
Extracurricular activities	-	-	-
Gifts and donations	-	-	-
Rent	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>862,472</u>	<u>869,569</u>	<u>7,097</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	122,815	121,793	1,022
Special	-	-	-
Vocational	8,782	8,782	-
Adult/continuing	-	-	-
Support services:			
Pupils	-	-	-
Instructional staff	2,685	2,685	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	14,000	13,764	236
Business	-	-	-
Operation and maintenance of plant	-	-	-
Pupil transportation	-	-	-
Central	-	-	-
Operation of non-instructional services	-	-	-
Extracurricular activities	-	-	-
Capital outlay	3,112,877	3,110,350	2,527
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>3,261,159</u>	<u>3,257,374</u>	<u>3,785</u>
Excess of revenues over (under) expenditures	<u>(2,398,687)</u>	<u>(2,387,805)</u>	<u>10,882</u>
<u>Other financing sources (uses):</u>			
Proceeds from sale of fixed assets	-	-	-
Advances in	-	-	-
Advances out	(200,000)	(200,000)	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(2,598,687)	(2,587,805)	10,882
Fund balances at beginning of year	296,416	296,416	-
Prior year encumbrances appropriated	2,588,877	2,588,877	-
Fund balances at end of year	<u>\$ 286,606</u>	<u>\$ 297,488</u>	<u>\$ 10,882</u>

See accompanying notes to the general purpose financial statements.

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 20,054,341	\$ 20,054,341	\$ -
4,994,558	5,104,297	109,739
198,489	199,054	565
226,892	226,892	-
212,318	213,724	1,406
67,252	67,832	580
37,407	37,407	-
411,953	432,417	20,464
<u>26,203,210</u>	<u>26,335,964</u>	<u>132,754</u>
13,080,621	12,716,967	363,654
1,766,260	1,583,271	182,989
767,478	722,020	45,458
2,600	2,600	-
1,359,384	1,299,554	59,830
1,635,954	1,553,336	82,618
195,064	177,897	17,167
1,750,817	1,622,180	128,637
676,272	655,645	20,627
122,300	109,107	13,193
2,573,489	2,547,836	25,653
1,381,754	1,309,379	72,375
164,055	138,470	25,585
602,536	560,342	42,194
1,019,097	955,154	63,943
3,125,422	3,122,895	2,527
795,000	795,000	-
627,779	627,779	-
<u>31,645,882</u>	<u>30,499,432</u>	<u>1,146,450</u>
<u>(5,442,672)</u>	<u>(4,163,468)</u>	<u>1,279,204</u>
500	500	-
206,450	206,450	-
(206,450)	(206,450)	-
46,246	47,930	1,684
(96,550)	(87,930)	8,620
<u>(49,804)</u>	<u>(39,500)</u>	<u>10,304</u>
(5,492,476)	(4,202,968)	1,289,508
4,654,813	4,654,813	-
2,959,013	2,959,013	-
<u>\$ 2,121,350</u>	<u>\$ 3,410,858</u>	<u>\$ 1,289,508</u>

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, 2002

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<u>Operating revenues:</u>			
Sales	\$ 608,745	\$ -	\$ 608,745
Charges for services	16,090	1,989,239	2,005,329
Other operating revenues	12,450	28,633	41,083
Total operating revenues	<u>637,285</u>	<u>2,017,872</u>	<u>2,655,157</u>
<u>Operating expenses:</u>			
Salaries	241,697	-	241,697
Fringe benefits	108,221	-	108,221
Purchased services	16,551	343,485	360,036
Materials and supplies	106,621	17,806	124,427
Cost of sales	336,575	-	336,575
Depreciation	1,483	-	1,483
Claims	-	2,252,305	2,252,305
Other operating expenses	271	10,780	11,051
Total operating expenses	<u>811,419</u>	<u>2,624,376</u>	<u>3,435,795</u>
Operating loss	<u>(174,134)</u>	<u>(606,504)</u>	<u>(780,638)</u>
<u>Non-operating revenues:</u>			
Federal donated commodities	42,005	-	42,005
Operating grants	106,831	-	106,831
Interest	753	11,959	12,712
Total non-operating revenues	<u>149,589</u>	<u>11,959</u>	<u>161,548</u>
Loss before operating transfers	<u>(24,545)</u>	<u>(594,545)</u>	<u>(619,090)</u>
Operating transfers in	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Net income (loss)	15,455	(594,545)	(579,090)
Retained earnings at beginning of year, Note 6	(261,232)	429,489	168,257
Retained earnings at end of year	<u>\$ (245,777)</u>	<u>\$ (165,056)</u>	<u>\$ (410,833)</u>

See accompanying notes to the general purpose financial statements.

Copley-Fairlawn City School District
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<u>Cash flows from operating activities:</u>			
Cash received from customers	\$ 624,835	\$ -	\$ 624,835
Cash received from other operating sources	9,196	-	9,196
Cash received from quasi-external transactions with other funds	-	2,017,872	2,017,872
Cash payments to suppliers for goods and services	(405,703)	(361,291)	(766,994)
Cash payments to employees for services	(267,030)	-	(267,030)
Cash payments for employee benefits	(87,189)	-	(87,189)
Cash payments for claims	-	(2,141,592)	(2,141,592)
Cash payments for other operating expenses	(7,880)	(10,780)	(18,660)
Net cash used for operating activities	<u>(133,771)</u>	<u>(495,791)</u>	<u>(629,562)</u>
<u>Cash flows from noncapital financing activities:</u>			
Operating grants	94,286	-	94,286
Net cash provided by noncapital financing activities	<u>134,286</u>	<u>-</u>	<u>134,286</u>
<u>Cash flows from investing activities:</u>			
Interest on investments	753	11,959	12,712
Net cash provided by investing financing	<u>753</u>	<u>11,959</u>	<u>12,712</u>
Net increase (decrease) in cash and cash equivalents	1,268	(483,832)	(482,564)
Cash and cash equivalents at beginning of year	32,197	665,759	697,956
Cash and cash equivalents at end of year	<u>\$ 33,465</u>	<u>\$ 181,927</u>	<u>\$ 215,392</u>
<u>Reconciliation of operating loss to net cash used for operating activities:</u>			
Operating loss	\$ (174,134)	\$ (606,504)	\$ (780,638)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	1,483	-	1,483
Federal donated commodities	42,005	-	42,005
Change in assets and liabilities:			
(Increase) decrease in assets:			
Inventory	(3,494)	-	(3,494)
Accounts receivable	(3,254)	-	(3,254)
Increase (decrease) in liabilities:			
Accounts payable	84	-	84
Accrued wages	(6,447)	-	(6,447)
Accrued bonus	(2,856)	-	(2,856)
Compensated absences payable	(2,425)	-	(2,425)
Intergovernmental payable	7,427	-	7,427
Claims payable	-	110,713	110,713
Deferred revenue	7,840	-	7,840
Total adjustments	<u>40,363</u>	<u>110,713</u>	<u>151,076</u>
Net cash provided by (used for) operating activities	<u>\$ (133,771)</u>	<u>\$ (495,791)</u>	<u>\$ (629,562)</u>

Noncash Activities:

Donated commodities are received from the federal government in the Food Service enterprise fund in the amount of \$42,005

See accompanying notes to the general purpose financial statements.

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COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Copley-Fairlawn City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a School district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a locally elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the School District's seven instructional/support facilities staffed by 137 non-certificated and 229 certificated full time teaching personnel, including nine administrators, who provide services to 3,132 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

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

B. 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 regulation, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities 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.

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 and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

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

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Type:

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

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the 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 it has been 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 Funds – The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost-reimbursement basis.

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/or other funds. These include agency funds, which 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.

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 funds.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 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 fund types 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 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.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed in the proprietary funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, 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 fiscal year end and delinquent property taxes, whose availability is indeterminable and which are intended to finance subsequent fiscal year operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. 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. There were no unbilled service charges receivable 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 revenue. Unused donated commodities are reported as deferred revenue.

D. 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. Even though annual budgets are legally adopted, enterprise budgetary statements have not been presented since they are not required under GAAP. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

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 that 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 the current fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, 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 totals at the legal level of control. Any revisions that alter the fund appropriation at the legal level of budgetary control must be approved by the Board of Education.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are 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 balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

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 are not reappropriated.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented on the Combined Balance Sheet in the account, "Equity in pooled cash and cash equivalents". During the current fiscal year investments were limited to overnight repurchase agreements and STAR Ohio. These investments are stated at cost, which approximates market value. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as listed in Note 4.

The District invested funds in STAR Ohio during fiscal year 2002. 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, 2002.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal year all investments of the School District and of the fiscal agent had maturity of three months or less.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of enterprise 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 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. Inventories of enterprise funds consist of donated food, purchased food, and supplies held for resale and are expensed when used.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. 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 equipment in the enterprise fund type is computed using the straight-line method over an estimated useful life of five to twenty years.

I. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets may include unexpended revenues restricted for the purchase of school buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks or for the acquisition or construction of capital assets. Restricted assets may also include amounts set aside as a reserve for budget stabilization, which is now optional as determined by the School District. There are no restricted assets reported in Fiscal 2002. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and all other grant requirements have been met. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

The School District currently participates in several State and Federal programs. Management has determined the following programs as material:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Drug Free Schools
Preschool Grant
Reducing Class Size
Title VI-B
Title I
Title VI

Reimbursable Grants

General Fund

School Bus Purchase Reimbursement
Driver Education Reimbursement

Enterprise Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 17.7% of the School District's operating revenue during the fiscal year.

K. Short-term Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables/payables".

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method (See Note 6 for the effects of the change in accounting and reporting for sick leave liability). The liability is based on the sick leave accumulated at June 30 by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

Accumulated vacation and sick leave of employees paid from governmental funds has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees paid from enterprise funds are recorded as an expense and liability of the fund.

M. Contributed Capital

Prior to 2001, contributed capital was recorded in proprietary funds that received capital grants or contributions from developers, customers or other funds. As of fiscal year 2001, increases in contributed capital will only take place for contributions made by other funds. 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 increase in contributed capital during the current fiscal year.

N. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Capital leases are reported as a liability of the general long-term obligations account group until due.

O. Interfund Transactions

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

All other interfund transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Fund Balance Reserves

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 appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, debt service, inventory, prepaids, and property taxes.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

Q. Estimates

The preparation of the financial statements 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 may differ from those estimates.

R. 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.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

*Excess of Revenues and Other Financing Sources Over (Under)
Expenditures and Other Financing Uses*

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<i>GAAP Basis</i>	\$ (1,655,486)	\$ 87,136	\$ 33,435	\$ (1,706,421)
<i>Revenue Accruals</i>	362,199	3,001	133,668	(134,389)
<i>Expenditure Accruals</i>	(31,179)	(14,808)	(122,340)	(614,228)
<i>Encumbrances (Budget Basis)</i>				
<i>Outstanding at year end</i>	<u>(332,836)</u>	<u>(77,953)</u>	<u>-</u>	<u>(132,767)</u>
<i>Budget Basis</i>	<u>\$ (1,657,302)</u>	<u>\$ (2,624)</u>	<u>\$ 44,763</u>	<u>\$ (2,587,805)</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of settlement;

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the fiscal year ended June 30, 2002

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% percent of the interim moneys available for investment at any one time.

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

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

Deposits:

At fiscal year end the carrying amount of the School District's deposits was (\$418,680) and the bank balances of the deposits totaled \$131,475. Of the bank balance, \$100,000 was covered by federal depository insurance. \$31,475 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

Investments:

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the School District's investments be classified in categories of risk. 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 for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

All interest is legally required to be placed in the general fund, the Auxiliary Services special revenue fund, the Food Service enterprise fund, and the Employee Benefits Self-Insurance internal services fund. Due to these provisions, the general fund received \$195,614, of which \$40,368 was assigned from other School District funds.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
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	<u>Category 3</u>	<u>Fair Value</u>
<u>Categorized Investments</u>		
Repurchase Agreements	\$ 575,000	\$ 575,000
 <u>Noncategorized Investments</u>		
STAR Ohio		<u>4,075,241</u>
Total Investments		<u>\$ 4,650,241</u>

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statements No. 9	\$ 4,231,561	\$ -
Investments which are part of a cash management pool:		
Repurchase Agreement	(575,000)	575,000
STAROhio	<u>(4,075,241)</u>	<u>4,075,241</u>
GASB Statements No. 3	<u>\$ (418,680)</u>	<u>\$ 4,650,241</u>

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District fiscal year runs from July through June. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2000 for the following tax year. Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value.

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Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of year end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$495,344 in the general fund, \$25,111 in the Bond Retirement debt service fund, and \$30,963 in the Permanent Improvement capital projects fund, and is recognized as revenue.

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

<u>Property Category</u>	<u>2001 Assessed Value</u>	<u>2000 Assessed Value</u>
<u>Real Property</u>		
<i>Residential and Agricultural</i>	\$ 364,905,010	\$ 352,770,640
<i>Commercial/Industrial/Mineral</i>	229,199,430	208,054,510
<i>Public Utilities</i>	5,010	5,680
 <u>Tangible Personal Property</u>		
<i>General</i>	66,938,773	66,110,989
<i>Public Utilities</i>	<u>17,267,280</u>	<u>24,551,990</u>
<i>Total</i>	<u>\$ 678,315,503</u>	<u>\$ 651,493,809</u>

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
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For the fiscal year ended June 30, 2002

NOTE 6 – PRIOR PERIOD ADJUSTMENT

For fiscal year 2002, the School District changed the method used to calculate sick leave liability from the vesting method to the termination method. This preferable method was adopted to produce a better estimate of the School District’s liability, based on previous fiscal year’s termination history. The effect on fiscal year 2001 and 2002 enterprise fund balances and net income are stated below:

	<i>Fiscal Year</i> <u>2002</u>	<i>Fiscal Year</i> <u>2001</u>
<i>Retained earnings at beginning of year</i>		
<i>As previously reported</i>	\$ (243,271)	\$ (273,652)
<i>Adjustment for understatement of compensated absences</i>	<u>(17,961)</u>	<u>-</u>
<i>Balance at beginning of year, as restated</i>	(261,232)	(273,652)
<i>Net income (as restated in 2001)</i>	<u>15,455</u>	<u>12,420</u>
<i>Retained earnings at end of year</i>	<u>\$ (245,777)</u>	<u>\$ (261,232)</u>

The change in estimating compensated absences also had an effect on the beginning balance of the General Long-term Obligations Account Group. This change is stated below:

	<i>Fiscal Year</i> <u>2002</u>
<i>Account balance as previously stated, June 30, 2001</i>	\$ 11,987,949
<i>Restatement</i>	<u>(1,149,026)</u>
<i>Restated July 1, 2001</i>	<u>\$ 10,838,923</u>

NOTE 7 - RECEIVABLES

Receivables at year-end consisted of taxes, accounts (tuition and excess costs), accrued interest, interfund and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The general and special revenue funds’ intergovernmental receivable at year-end consisted of \$90,637 and \$39,869 respectively.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
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NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at year-end follows:

<u>Classification</u>	<u>Balance</u>
<i>Equipment</i>	\$ 347,449
<i>Less: accumulated depreciation</i>	<u>(217,964)</u>
<i>Net fixed assets</i>	<u>\$ 129,485</u>

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

	<u>Balance</u>			<u>Balance</u>
	<u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30</u>
<i>Land and improvements</i>	\$ 196,211	\$ 42,942	\$ -	\$ 239,153
<i>Buildings</i>	44,983,124	2,999,066	-	47,982,190
<i>Furniture and equipment</i>	3,695,531	1,121,125	(18,968)	4,797,688
<i>Vehicles</i>	2,251,934	253,534	(206,306)	2,299,162
<i>Total</i>	<u>\$ 51,126,800</u>	<u>\$ 4,416,667</u>	<u>\$ (225,274)</u>	<u>\$ 55,318,193</u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

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

The School District has established a Self-Insurance Fund (an internal service fund) to account for and finance its employee health benefits plan. Under this program, the Self-Insurance Fund provides coverage for up to an annual maximum of \$60,000 for each health benefits claim, capped at \$2,585,520 for all claims. A third-party administrator manages the plan. The School District purchases commercial insurance for claims in excess of coverage provided by the Plan. Settled claims have not exceeded this commercial coverage, nor have there been any significant reductions in coverage in any of the past three fiscal years.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
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All funds of the School District participate in the program and make payments to the Self-Insurance Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premium for stop-loss coverage and medical conversion and administrative fees and services). The School District's independent third-party administrator has actuarially determined that \$346,983 is a good and sufficient provision for all un-matured claim obligations (including both reported but unpaid claims and incurred but not reported claims, as well as an allowance for claim settlement expenses on the estimated unpaid claims) as of June 30, 2002.

The claims liability of \$346,983 reported in the fund at June 30, 2002 is based on the provisions of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probably that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability for the current and prior fiscal years are as follows:

<i>Fiscal Year</i>	<i>Balance at beginning of year</i>	<i>Current year claims</i>	<i>Claim payments</i>	<i>Balance at end of year</i>
2001	\$ 192,600	1,809,167	1,765,497	\$ 236,270
2002	\$ 236,270	2,252,305	2,141,592	\$ 346,983

B. OSBA Group Rating Program

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$529,282, \$393,078, and \$400,278, respectively; 45% percent has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$291,190 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$2,041,776, \$1,619,416, and \$1,447,407, respectively; 82% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$374,922 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

NOTE 11 – POST-EMPLOYMENT BENEFITS

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

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By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently fourteen percent of covered payroll. The retirement board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District this amount equaled \$656,285 during the 2002 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.256 billion at June 30, 2001, (latest information available). For the year ended June 30, 2001, the net health care costs paid by the STRS were \$300,772,000 and eligible benefit recipients totaled 102,132.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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% of the premium. For this fiscal year, employer contributions to fund health care benefits were 9.80% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to fourteen percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2001 (the latest information available), the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the fourteen percent contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount of employer contributions used to fund health care equaled \$423,595, which includes a surcharge of \$53,098 during the 2002 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001, (latest information available) were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the SERS's net assets available for payment of health care benefits was \$315.7 million, at cost. The number of participants receiving health care benefits was approximately 50,000.

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a previous fiscal year, the School District entered into a capital lease-purchase agreement to acquire new copier machines. The lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group, as equipment, at \$180,000 equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term debt account group. Principal payments in the current fiscal year totaled \$36,726.

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

<i>Fiscal Year</i>	<i>Lease Payments</i>
2003	\$ 41,298
2004	<u>24,091</u>
<i>Total minimum lease payments</i>	65,389
<i>Less: amount representing interest</i>	<u>(2,925)</u>
<i>Total</i>	<u>\$ 62,464</u>

NOTE 13 - LONG-TERM DEBT

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

	<i>Balance July 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30</i>
<i><u>Tax Anticipation Notes</u></i>				
<i>2001 Tax Anticipation Notes, 4.15% maturing on December 1, 2005</i>	\$ 2,545,000	\$ -	\$ -	\$ 2,545,000
<i><u>General Long-term Obligations Account Group</u></i>				
<i>1993 School Facilities Bonds, 4.70% - 7.55% maturing on December 1, 2014</i>	7,550,000	-	(530,000)	7,020,000
<i>1996 Energy Conservation Notes, 4.75% maturing on December 1, 2005</i>	<u>1,455,000</u>	<u>-</u>	<u>(265,000)</u>	<u>1,190,000</u>
<i>Total Bonds</i>	<u>9,005,000</u>	<u>-</u>	<u>(795,000)</u>	<u>8,210,000</u>
<i><u>Other Obligations</u></i>				
<i>Long-term compensated absences</i>	1,536,622	-	(229,848)	1,306,774
<i>Employer pension obligations</i>	198,111	192,808	(198,111)	192,808
<i>Capital lease payable</i>	<u>99,190</u>	<u>-</u>	<u>(36,726)</u>	<u>62,464</u>
<i>Total Other Obligations</i>	<u>1,833,923</u>	<u>192,808</u>	<u>(464,685)</u>	<u>1,562,046</u>
<i>Total General Long-term Debt</i>	<u>\$ 13,383,923</u>	<u>\$ 192,808</u>	<u>\$ (1,259,685)</u>	<u>\$ 12,317,046</u>

The annual requirements to amortize all bonds and notes outstanding as of year-end including interest payments of \$3,392,652 are as follows:

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
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<i>Fiscal Year</i>	<i>Tax Anticipation Notes-2001</i>	<i>School Facilities Bonds-1993</i>	<i>Energy Conservation Notes-1996</i>	<i>Total Debt</i>
2003	\$ 693,168	\$ 969,265	\$ 324,994	\$ 1,987,427
2004	687,852	915,248	326,575	1,929,675
2005	691,500	855,313	327,444	1,874,257
2006	689,006	785,313	327,600	1,801,919
2007	-	737,188	-	737,188
2008-2012	-	3,487,655	-	3,487,655
2013-2017	-	2,329,531	-	2,329,531
<i>Total</i>	<u>\$ 2,761,526</u>	<u>\$ 10,079,513</u>	<u>\$ 1,306,613</u>	<u>\$ 14,147,652</u>

The School Facilities Bonds and the Energy Conservation Notes will be paid from the Bond Retirement debt service fund. The Tax Anticipation Notes will be paid from the Permanent Improvements capital project fund. Compensated absences and employer pension due will be paid from the fund from which the person is paid.

NOTE 14 - INTERFUND TRANSACTIONS

Interfund balances at year-end consist of the following individual fund receivables and payables:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General	Post Secondary Voc. Ed. special revenue	\$ 4,450
General	Permanent Improvement capital project	1,000,000
	<i>Total</i>	<u>\$ 1,004,450</u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEONET) is the computer service organization or Data Acquisition Site (DAS) used by the School District. NEONET is an association of public school districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All Districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs NEONET. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The School District does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEONET are made from the general fund. During fiscal year 2002, the School District contributed \$34,731 to NEONET.

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NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, tomahawk room, and adult education programs. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

<u>Description</u>	<u>Food Service</u>	<u>Tomahawk Room</u>	<u>Adult Education</u>	<u>Total</u>
<i>Operating revenues</i>	\$ 612,019	\$ 16,090	\$ 9,176	\$ 637,285
<i>Depreciation expense</i>	1,483	-	-	1,483
<i>Operating loss</i>	172,024	34	2,076	174,134
<i>Operating grants</i>	106,831	-	-	106,831
<i>Donated commodities</i>	42,005	-	-	42,005
<i>Net income (loss)</i>	15,565	(34)	(76)	15,455
<i>Net working capital</i>	17,214	4,126	752	22,092
<i>Total assets</i>	190,410	4,126	769	195,305
<i>Compensated absences payable</i>	20,803	-	-	20,803
<i>Total equity</i>	125,896	4,126	752	130,774
<i>Encumbrances outstanding (budget basis) at June 30, 2002</i>	\$ 6,623	\$ -	\$ -	\$ 6,623

NOTE 17 - CONTINGENCIES

A. Grants:

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

B. School Funding:

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

1. A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
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2. Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under consideration by the Court.

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

NOTE 18 – STATUTORY RESERVES

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

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that the School District's establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. During the fiscal year, the Board acted on this Senate Bill and passed a resolution to eliminate the reserve balance. The reserve activity was as follows:

	<i>Textbook Reserve</i>	<i>Capital Maintenance Reserve</i>	<i>School Bus Reserve</i>	<i>Total</i>
<i>Set-aside cash balance as of June 30, 2001</i>	\$ (145,749)	\$ -	\$ -	\$ (145,749)
<i>Reduction authorized by legislative revisions</i>	-	-	-	-
<i>Current year set-aside requirement</i>	374,758	374,758	41,662	791,178
<i>Current year offset</i>	-	-	-	-
<i>Qualifying disbursements</i>	<u>(670,047)</u>	<u>(4,286,460)</u>	<u>(191,827)</u>	<u>(5,148,334)</u>
<i>Total</i>	<u>\$ (441,038)</u>	<u>\$ (3,911,702)</u>	<u>\$ (150,165)</u>	<u>(4,502,905)</u>
<i>Balance carried forward to FY2003</i>	<u>\$ (441,038)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (441,038)</u>

COPLEY-FAIRLAWN CITY SCHOOL DISTRICT
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For the fiscal year ended June 30, 2002

NOTE 19 – FUND DEFICITS

As of June 30, 2002, several funds had deficit fund balances/retained earnings. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances as follows:

<i><u>Fund</u></i>	<i><u>Amount</u></i>
<i>Post Secondary Voc. Ed. special revenue</i>	\$ 1,696
<i>Management Information Sys. special revenue</i>	64
<i>Title VI-B special revenue</i>	8,788
<i>Preschool Grants for the Handicapped special revenue</i>	15
<i>Permanent Improvement capital projects</i>	3,148,934
<i>Food Service enterprise fund</i>	250,655
<i>Self Insurance internal service fund</i>	169,187

NOTE 20 – SUBSEQUENT EVENT

In November, 2002 the citizens of Copley-Fairlawn City School District passed a general operating levy of 5.9 mills. This levy is expected to generate an estimated \$4,000,000 per year for a continuing period of time.

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

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$40,700		\$42,005
National School Lunch Program	049981 LL-P1	10.555				
	049981 LL-P4		\$91,465		\$91,465	
Total U.S. Department of Agriculture - Child Nutrition Cluster			91,465	40,700	91,465	42,005
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster						
Special Education - Grants to States	049981-6B-SF-2001	84.027			25,658	
	049981-6B-SF-2002		178,408		161,737	
Total Special Education - Grants to States			178,408		187,395	
Special Education - Preschool Grants	049981-PGS1-2002-P	84.173	11,123		11,123	
Total Special Education Cluster			189,531		198,518	
Title I Grants to Local Educational Agencies	049981-C1-S1-2001	84.010			15,986	
	049981-C1-S1-2002		98,758		82,894	
Total Title I Grants to Local Educational Agencies			98,758		98,880	
Immigrant Education	049981-E1-S1-2002	84.162	4,600		4,600	
Safe and Drug Free Schools and Communities State Grants	049981-DR-S1-2002	84.186	12,567		11,859	
Eisenhower Professional Development State Grants	049981-MS-S1-2001	84.281			5,496	
	049981-MS-S1-2002		10,365		3,939	
Total Eisenhower Professional Development State Grants			10,365		9,435	
Innovative Education Program Strategies	049981-C2-S1-2000	84.298			5,028	
	049981-C2-S1-2001				871	
	049981-C2-S1-2002		5,815		2,383	
Total Innovative Education Program Strategies			5,815		8,282	
Class Size Reduction	049981-CR-S1-2001	84.340			4,957	
	049981-CR-S1-2002		41,035		32,701	
Total Class Size Reduction			41,035		37,658	
Bilingual Education Support Services	N/A	84.194			416	
Technology Literacy Challenge Fund Grants	049981-TF-51-2001	84.318	199,900		188,405	
Total U.S. Department of Education			562,571		558,053	
Total Federal Assistance			\$654,036	\$40,700	\$649,518	\$42,005

See Accompanying Notes to the Schedule of Receipts and Expenditures of Federal Awards.

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

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes 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 market 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, 2002, the District had no significant food commodities in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS 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, 2002, and have issued our report thereon dated November 15, 2002, in which we noted the District changed its method of accounting and reporting for compensated absences. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 the management of the District in a separate letter dated November 15, 2002.

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 financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 15, 2002

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

November 15, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 its major federal program for the year ended June 30, 2002.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

November 15, 2002

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

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 Special Education Preschool Grants #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS 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
JANUARY 7, 2003**